

CHAPTER 10
SPECIAL ACCOUNTING ACTIVITIES

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UNCLASSIFIED

ADM AID GUATEMALA FOR AID AND ROCAP; KARACHI FOR AAG AND IIS

TAGS:

SUBJECT: AID FORM 1380-1A PIO/P CONFIRMATION CABLE NAIROBI FOR AID REDSO/EA

REF: A) AID HB 10, CHAP. 12, B) TRAINING NOTICE NO. 43 (**REVISED**) EFFECTIVE 3/15/80. C) STATE 290608 (**FY 79**)

1. EFFECTIVE MAY 1, 1980 THE CONFIRMATION (**BLUE ISSUE**) COPY OF PIO/P DOCUMENTATION IS DISCONTINUED. A COMPUTER GENERATED CABLE WILL BE SUBSTITUTED TO CONFIRM AID/W APPROVAL OF THE TRAINING PROGRAM AND FINAL BUDGET. USE OF THE CABLE FORMAT FOR PURPOSES OF CONFIRMING THE PIO/P OFFERS DEFINITE ADVANTAGES IN TERMS OF SPEED OF DISTRIBUTION (**PARTICULARLY TO FIELD MISSIONS**) AND EASE OF PREPARATION.

2. WORKSHEET PIO/PS WILL CONTINUE TO BE ISSUED BY USAID MISSIONS OR AID/W ALLOTTEES FOLLOWING EXISTING PROCEDURES, AND FORWARDED TO DS/IT FOR DEVELOPMENT OF A TRAINING IMPLEMENTATION PLAN (**TIP**), PLACEMENT AND BUDGET. THE TIP WILL NO LONGER CONTAIN FINANCIAL INFORMATION. FINAL PIO/P BUDGET INFORMATION WILL BE SENT TO THE MISSION, FROM WHICH THE PARTICIPANT WILL BE DEPARTING, IN THE FORM OF A **CONFIRMATION PIO/P CABLE** TO BE ISSUED SUBSEQUENT TO THE TIP BUT THIRTY TO SIXTY DAYS PRIOR TO THE PARTICIPANT CALL FORWARD. IN THOSE CASES WHERE THE LACK OF LEAD TIME SO DICTATES, THE IN THOSE CASES WHERE THE LACK OF LEAD TIME SO DICTATES, THE TIP, CONFIRMATION CABLE (**BUDGET**) AND CALL FORWARD WILL BE SENT SIMULTANEOUSLY. USAID MISSIONS OR AID/W ALLOTTEES ARE CAUTIONED THAT A CALL FORWARD IS NOT AUTHORIZED UNTIL A **CONFIRMATION PIO/P CABLE** IS RECEIVED AND ANY ADDITIONAL FUNDING REQUIRED (**OVER AMOUNT PROVIDED IN WORKSHEET PIO/P**) IS ADDED. PARTICIPANTS MUST NOT BE ALLOWED TO TRAVEL OR INITIATE TRAINING PRIOR TO ASSURING THAT FUNDS HAVE BEEN MADE AVAILABLE FOR THE FULL AMOUNT OF THE CONFIRMED PIO/P BUDGET.

3. THE PIO/P CONFIRMATION CABLE WILL REFLECT A NEW BUDGET FORMAT, WHEREBY COSTS ARE BUDGETED FOR EACH YEAR OF TRAINING. COSTS ARE GROUPED IN THE BUDGET BY FIVE LINE ITEMS I.E. INSTRUCTIONAL COSTS, MAINTENANCE ALLOWANCE, MISCELLANEOUS (**TRAINING COSTS**), PROGRAMMING AGENT FEE (**RSSA OR CONTRACTOR**) AND AID/W ADMINISTRATIVE FEES. BUDGETS ARE COMPUTED BY OBTAINING ACTUAL OR ESTIMATED ACTUAL COSTS AS OF THE DATE OF BUDGET PREPARATION. ACTUAL COSTS ARE INPUT INTO THE COMPUTER WHICH ADDS AN INFLATION/CONTINGENCY FACTOR OF 1 PER CENT PER MONTH OF TRAINING FOR THE FIRST TWELVE MONTHS OF TRAINING TO BUDGET LINE ITEMS FOR INSTRUCTIONAL COSTS, MAINTENANCE, AND MISCELLANEOUS. AN INFLATION/CONTINGENCY FACTOR OF 1.25 PER CENT PER MONTH IS ADDED TO ALL BUDGET LINE ITEMS FOR PERIODS OF TRAINING OVER TWELVE MONTHS. THE CONFIRMATION CABLE WILL REFLECT THE BUDGET FOR PERIODS OF TRAINING UP TO TWELVE MONTHS IN ONE COLUMN AND OVER TWELVE MONTHS IN A SECOND COLUMN. THE INFLATION/CONTINGENCY FACTORS MAY BE ADJUSTED PERIODICALLY BASED ON STATISTICAL ANALYSIS OF THE MASTER DISBURSING ACCOUNT (**MDA**) CASH FLOW, BUT USAID'S WILL BE NOTIFIED OF ANY SUCH CHANGES.

4. THE CONFIRMED PIO/P BUDGET IS COMPARED TO THE WORKSHEET PIO/P AMOUNT AND THE USAID OR AID/W ALLOTTEE WILL BE NOTIFIED IN THE CONFIRMATION CABLE IF ADDITIONAL FUNDS MUST BE MADE AVAILABLE PRIOR TO THE PARTICIPANTS CALL FORWARD. IN ALL CASES THE PIO/P MUST BE ADJUSTED ON THE OFFICIAL ACCOUNTING RECORDS TO THE CONFIRMED BUDGET AMOUNT AND CUMULATIVE CREDIT TRANSFERS ON THE U-101 REPORT MUST RECONCILE TO THE PIO/P CONFIRMED BUDGET TOTAL. PLEASE NOTE THAT THE CONFIRMED BUDGET EXCLUDES ANY PROVISION FOR INTERNATIONAL TRAVEL PAID BY FUNDS OBLIGATED IN THE PIO/P. INTERNATIONAL TRAVEL COSTS PAID BY THE U. S. ARE CHARGED DIRECTLY TO THE FUNDING SOURCE CITED ON THE WORKSHEET PIO/P AND THEREFORE ARE NOT INCLUDED IN CREDIT TRANSFERS TO THE MDA BUT MUST BE ADDED TO CONFIRMED BUDGET FOR PURPOSES OF OBLIGATING OR EARMARKING TOTAL PIO/P COSTS. USAIDS ARE REMINDED THAT ANY ADVANCE MAINTENANCE ALLOWANCES PAID AT THE

MISSION SHOULD BE AOC TO AID/W AS A CHARGE AGAINST THE MDA.

5. THE CONFIRMATION CABLE WILL BEAR THE SUBJECT TITLE, **AID FORM 1380-1A CONFIRMATION COPY PIO/P (NUMBER)** IN ORDER TO CLEARLY DISTINGUISH IT FROM OTHER AD HOC CABLES PROVIDING PRELIMINARY, INFORMAL PIO/P BUDGET ESTIMATES. THE CONFIRMATION CABLE IS ATTACHED TO THE WORKSHEET PIO/P AND, TOGETHER WITH ANY WORKSHEET PIO/P AMENDMENTS TO ADJUST FUNDING TO THE CONFIRMED BUDGET LEVEL, COMPLETES REQUIRED PIO/P DOCUMENTATION. ALTHOUGH THE CONFIRMATION CABLE SYSTEM IS EFFECTIVE MAY 1, 1980, USAIDS MAY BE RECEIVING SOME BLUE ISSUE COPIES OF PIO/P'S WHICH ARE IN THE PIPELINE AS OF APRIL 30, PENDING TYPING AND/OR DISTRIBUTION. AID HB WILL BE AMENDED TO REFLECT THE SUBSTANCE OF THIS CABLE.

CHAPTER 10

SPECIAL ACCOUNTING ACTIVITIES

10A. Accounting Procedures for General Services Administration (GSA) Procurement

Accounting, processing, and payment procedures relating to GSA billings at Mission and AID/W levels are in Handbook 15, AID-Financed Commodities, Section 4C4, and are incorporated herein by reference.

10B. Fiscal Procedures - Foreign Disaster Emergency Relief

1. General

This section prescribes the necessary fiscal and accounting procedures to be followed in providing emergency disaster relief. The authority for this activity is contained in Handbook 8, Foreign Disaster Assistance. These procedures are also in consonance with AID/W responsibilities and procedures for coordinating emergency disaster relief operations.

2. Appropriation and Allotment

a. A **Foreign Disaster Emergency Relief** account is established under the AID Contingency Fund. The account is designated by the following fiscal accounting classifications:

- (1) Appropriation symbol - 72-11-1078
- (2) Allotment symbol - 21-32-099-00-86-1

The blank spaces in the first and last segments of the allotment symbol show the fiscal-year designator, which is changed each fiscal year.

b. The Director, Office of U.S. Foreign Disaster Assistance (**OFDA**) serves as the delegate of the allottee with authority to take action on the use of funds provided in the **Foreign Disaster Emergency Relief** account in accordance with Handbook 19, Chapter 4.

3. Obligation Procedure

a. Authorization

Authority for issuance of obligation documents up to \$25,000 without additional authority from AID/W is contained in Handbook 8 which also establishes criteria for the issuance of such obligation documents. The determination made by the Chief of Mission is to be cited on each obligation document as the authority for issuance; e.g., **Authority - Foreign Disaster Emergency Relief determined by Ambassador name, date.**

b. Issuance of Obligation Document

(1) Form FS-455, Purchase Order, Receiving Report and Voucher, is generally used for procurement and is normally the obligation document. The purchase order or other obligation document cites the allotment and appropriation symbols, the combined obligation/document number, and monetary amount authorized. When the specific amount or estimated cost is not available at time of issuance, the obligation document states a limitation as **Not to exceed \$ ____.**

(2) In countries where an AID Mission is located, the Mission issues all obligation documents, except as provided below. In countries where there is no Mission, the Diplomatic Post issues the obligation documents.

Obligation Documents may also be issued by OFDA as requested by the Mission or Diplomatic Post, or as may be deemed necessary in coordination with the Mission or Diplomatic Post. A telegram is sent to the Mission or Diplomatic Post if applicable, by OFDA giving notice of obligations it makes for each disaster. The telegram provides necessary detail on items or services for which funds were obligated.

(3) Obligation documents are numbered in accordance with Sections 10B3d(2) and (3).

(4) All obligation documents contain instructions for presentation of billings by vendors, suppliers, or others making delivery or rendering performance thereunder to the issuing office (**Mission, Diplomatic Post, or AID/W**) as payment will be made by the office identified on the obligation document. Billings are to show the same fiscal classifications as shown on the underlying order or requisition, namely, appropriation and allotment symbols and obligation document number.

c. Total Obligations - \$25,000 or Less

The issuing office (**Mission or Diplomatic Post**) assures that the total amount of obligations issued does not exceed \$25,000, without prior AID/W approval, for each disaster determination made in accordance with the authority provided in Handbook 8.

d. Notification to AID/W

(1) The issuing Mission or Diplomatic Post promptly telegrams the amount of the obligation to AID/W, Attention: OFDA and SER/FM/CSD (**or SER/FM/FSD for those Missions serviced by SER/FM/FSD**) as a basis for request by OFDA to the Office of Financial Management, Funds Control Division (**SER/FM/FCD**), for the issuance (**or amendment**) of form AID 7-158, Advice of Allotment, under the AID/W allotment account in Section 10B2 and for recording the obligation in the official accounts maintained by SER/FM. The Geographic Bureau is furnished with an information copy of the telegram through normal channels. The issuing office dispatches two copies of each obligation document as soon as possible to AID/W, Attention: Office of Financial Management, Central Services Division (**SER/FM/CSD**), or to the Field Services Division (**SER/FM/FSD**), for those Missions serviced by SER/FM/FSD, as support for recording the obligation and certification for payment.

(2) Obligation documents issued against funds provided in the above AID/W allotment are identified by a single seven-digit document/obligation number for each disaster occurring during a fiscal year. The same obligation/document number (**see below**) is assigned to all obligation documents issued in connection with each disaster experienced during the fiscal year in the country concerned. The document number is to be shown on the purchase order, requisition, or other procurement document in the space provided for the order number. The seven-digit obligation document number consists of four segments as follows:

1st and 2nd digits	3rd digit	4th, 5th and 6th digits	7th digit
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Allottee code as shown in the second segment of the allotment symbol	Fiscal-year indicator	Country code (See HB 18, Annex D.)	Separate sequential number for each disaster during the fiscal year
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(3) As a basis for processing and control in the accounts maintained by AID/W, the obligation document number assigned to all obligation documents issued by the Mission or Diplomatic Post for each disaster during the fiscal year, in accordance with the numbering system set forth above, is followed by an alphabetical suffix - A, B, C, etc., - in the sequence in which purchase orders, requisitions, or other obligation documents are issued.

Obligation documents issued by OFDA also conform with the 7-digit obligation document numbering system. However, in lieu of the alphabetical suffix, OFDA-issued documents show a numeric suffix in sequential order.

NOTE: This is for internal control purposes only. The numeric suffix will not be processed by the computer due to the 7-digit input limitation.

(4) When deemed necessary for internal control or local reference purposes, individual order numbers which identify each obligation document separately may be assigned additionally to obligation documents by the issuing office within a unique sequential series established for the purpose. These order numbers are uniformly shown in an appropriate space on the obligation document.

(5) Expenditure documents processed in liquidation of amounts obligated under funds allotted, as provided in Sections 10B2 and 3d above, reflect the same obligation amount.

e. Request for Authority to Issue Obligations in Excess of \$25,000

(1) When it has been determined to request authorization to issue obligations for disaster preparedness activities or for disaster relief in excess of \$25,000, action by the Mission or Diplomatic Post, if applicable, is taken as prescribed in Handbook 8.

(2) OFDA telegrams the Missions or Diplomatic Post when additional obligations in excess of \$25,000 may be incurred against the increased availability in the AID/W allotment. The field issuing office assures that prior obligation authorization has been furnished before exceeding the \$25,000 limitation. Obligation documents issued against the additional authorization for obligations in excess of \$25,000 continue the numbering system established in accordance with paragraphs 10B3d(2) and (3).

4. Expenditures Against AID/W Allotment

a. Payment Where an AID Mission Exists

After payment, Missions follow the AID **Advice of Charge** procedure for reporting to AID/W any expenditures (**disbursements**) charged against an AID/W allotment.

b. Payment by Diplomatic Post Where no AID Mission Exists

The U.S. Disbursing Officer (**USDO**) servicing the Post furnishes SF 1221, Statement of Transactions According to Appropriations, Funds and Receipt Accounts, with supporting vouchers to AID/W, addressed to the

Office of Financial Management, Central Accounting Division
(SER/FM/CAD).

5. Use of Excess and Near-Excess Foreign Currencies

a. General

(1) When time permits and costs can be met in local currencies, local currencies are used to the extent of their legal and practical availability.

(2) When local currencies are available in the U.S. Treasury foreign currency (FT) sales accounts for purchase and use for emergency disaster relief, the dollar equivalent of these requirements is charged under normal procedures to dollar allotments, as provided in Sections 10B3d(1) and 10B3e(1) above, for reimbursement to the Treasury.

(3) When local currencies are available in AID foreign currency (FT) accounts and reimbursement to the U.S. Treasury is not required, pursuant to provisions in international agreements or prior allocation and waiver action by the Office of Management and Budget (OMB) as provided in 10B5b, Missions and Diplomatic Posts may obligate and disburse such local currencies under the automatic allotment procedures, whereby availability is established upon receipt of Treasury Form BA 6901, Foreign Currency Transfer Authorization. (See Chapter 5.) Obligations may be incurred up to the limit of the dollar equivalent of \$25,000 with immediate advice to AID/W (appropriate AID/W Geographic Bureau, SER/FM/FCD, and SER/FM/CAD). For obligations against local currency availability in AID FT accounts in excess of the dollar equivalent of \$25,000, prior AID/W approval is requested by coordination through SER/FM/FCD.

b. Use of P.L. 480 Foreign Currencies

The Director of the Office of Management and Budget (OMB) is authorized by Executive Order 10900 to fix the amount of foreign currencies to be used for the purposes set forth in Section 104, including 104(d). Accordingly, request for allocations of foreign currencies for Section 104(d) purposes must be made to the Director, OMB. There is a requirement in Section 104, for application of Section 1415 of the Supplemental Appropriation Act 1953, to 20% of the aggregate, of P.L. 480 foreign currencies generated after December 31, 1964.

In the event this requirement cannot be met, it will be necessary to request a waiver of such provision from the Director, OMB. (See Handbook 8, 613, for procedure followed by OFDA in preparing request for allocation.)

10C. Deposit and Utilization of Proceeds of Sale, AID-Owned Personal Property

1. Purpose and Scope

This section applies to the deposit and utilization of proceeds of sale of AID-owned personal property. It provides the procedures to be followed by Missions and AID/W when:

a. Depositing the proceeds derived from the sale or exchange of such property.

b. Reporting these deposits.

c. Incurring obligations for the purchase of similar replacement

property.

2. Authority

The procedures outlined in this section are based on the following:

a. P.L. 152, 81st Congress, June 30, 1949, entitled: **Federal Property & Administrative Services Act**, of 1949, and amendments thereto.

b. General Accounting Office Manual, Title 2, Section 12.5, and Title 7, Section C15.4.

c. Treasury Fiscal Requirements Manual For Guidance of Departments and Agencies, Transmittal Letter No. 14 dated February 1, 1968, and Treasury Department Announcement of Account Symbols and Titles No. 10300 dated January 31, 1969.

d. Federal Property Management Regulations (**FRMP**) System, Title 41, Subtitle C, Code of Federal Regulations.

e. United States Code, Title 40, Chapter 10.

3. General Guidelines

a. All AID-owned personal property is subject to policies and procedures set forth in existing handbooks and pertinent regulations. Handbooks 19 and 23, respectively, prescribe the required monetary accounting and management controls from the point of requisition through the disposal thereof.

b. Personal property which has general usage throughout the Agency, and for which there is a continuing need, is considered to be replacement property. Generally, replacement property is disposed of by sale or by transfer with reimbursement so that the proceeds from such disposals may be utilized by AID/W for the purchase of similar property either for the selling Mission or for any other AID establishment as the need exists on a worldwide basis. These proceeds are deposited to a special account established therefor, regardless of the funds from which the property was initially purchased. Pursuant to the guidelines and instructions cited below, the SER/FM/FCD provides each Mission with the necessary authorizations for procurement of replacement property. After all requirements of the Operating Expenses Appropriation are met, the balance, if any, is applied to the acquisition of AID-owned property from other funds.

4. Classification of Proceeds of Sale

Collections from the sale or exchange of personal property are classified and deposited as follows:

a. All proceeds of sale or exchange of **replacement property** are deposited to:

Budget Clearing Account 72F3845, Proceeds of Sales, Personal Property, Agency for International Development.

b. Proceeds of sales of personal property which have been declared **excess** or **foreign excess** property are deposited to:

Miscellaneous Receipt Account 722649, Proceeds from Sale of Equipment and Other Personal Property, Not Otherwise Classified.

c. Proceeds of sale of scrap and salvage are deposited to:

Miscellaneous Receipt Account 722650, Sale of Scrap and Salvage Materials.

5. Mission Procedure -- Forwarding Deposit Data

a. Mission collections from sale or exchange of personal property are deposited to the Budget Clearing Account 72F3845 or Miscellaneous Receipt Account 722649, as appropriate. Collection documents (**i.e., FS-459, Deposit or Trust Fund Receipt and Record, or form AID 7-128, Notice of Collection/Adjustment**) reflecting these transactions are to be prepared to show the correct account citation and **must contain a clear and adequate description** of the personal property sold to indicate the following:

- (1) Date of sale of property
- (2) Description of the property
- (3) Total amount collected and deposited, expressed in U.S. dollars, and distribution of this total amount to one or more of the following subobject class codes:

Sub-object Class Code

- 310 Office Furnishings and Equipment
- 311 Residential Furnishings
- 312 Automobiles
- 319 Other

- (4) Reference to the related SF 1036, Statement of Certificate of Award, and the Sales Agreement or Contract.

b. The above collection documents, supported by a copy of form AID 5-73, Nonexpendable Personal Property Disposal Record - Mission, are incorporated with other documents and forwarded to AID/W in the monthly Mission submission.

6. AID/W Procedure

a. Collections

Checks and/or money orders received from sale of AID/W personal property are forwarded to the AID/W Central Cashier's Office, Date Control Division (**SER/FM/DCD**), for preparation of necessary documentation; i.e., for AID 7-128, and SF 219, Certificate of Deposit, and deposit of the proceeds to Budget Clearing Account 72F3845 or Miscellaneous Receipt Account 722649, as appropriate. The date required under Sections 10C5a, b, and c are to be shown on the Notice of Collection.

b. Ineligible Property - Applicable to AID/W Only

Proceeds from the sale of the following categories of domestic property may **not** be utilized for the purchase of replacement property, and are for deposit to Miscellaneous Receipt Account 722649:

- (1) Hand tools.
- (2) Hardware, general purpose.
- (3) Lumber, millwork, plywood, and veneer.

(4) Furniture: office, household and quarters, hospital, shipboard, and cafeteria.

(5) Office supplies.

(6) Textiles

(7) Wearing apparel.

c. Consolidation of Deposit Data

M/FM/CAD maintains a register and records deposits to applicable accounts by subobject class, as reflected in the collection documents and Statement of Transactions forwarded by Missions in accordance with Section 10C5 and from the AID/W collection documents listed in Section 10C6a. These data are maintained on a cumulative to-date basis and are the source of information furnished to M/FM/FCD and M/FM/SPD.

7. Time Limitation on Use of Proceeds of Sale

Proceeds from the sale of personal property are available during the fiscal year in which the sale is made and for 1 fiscal year thereafter for obligation for the purchase of similar replacement items of personal property.

8. Utilization of Proceeds of Sale

Missions and AID/W offices concerned may purchase items of replacement property only against authorizations issued by M/FM/CFD as described herein. Collections received as proceeds of sale may **not** be used for this purpose and are for deposit only in accordance with this Chapter. M/FM/SSD reviews estimates received from Missions and from the Office of Management Operations (**M/SER/MO**) for AID/W, projecting their planned acquisition of replacement personal property, by subobject class, for the fiscal year. To the extent feasible, M/FM/SSD schedules the utilization of proceeds of sale on the basis of Mission and AID/W estimates.

9. Appropriation Reimbursement

Documentation charging Budget Clearing Account 72F3845 and effecting reimbursement to the appropriation charged with obligations incurred for the replacement of personal property, and all related accounting and budgetary consolidated reports and analyses are based on the utilization of proceeds prescribed in Section 10C8 and are prepared and processed at AID/W.

10. Disposition of Unapplied Proceeds

Where the authorizations to Missions and AID/W against proceeds of sales deposits have not been obligated within the established time limit, or for other reasons these proceeds are to be applied to the replacement of personal property, such obligated balances are cleared from the Budget Clearing Account 72F3845 to Miscellaneous Receipt Account 722649. This action is taken by AID/W.

10D. Accounting for Medical Expenses

1. Purpose and Scope

a. This section prescribes procedures and policies for accounting for the costs of AID medical expenses authorized under the Foreign Service Medical and Health Program. Supplemental information and guidance is provided in Uniform State/AID/USIA Regulations 4 FAM 437. The current issuance is included as Attachment 10A.

b. The funds charged with authorized medical expenses are generally dependent upon where and by whom the services are rendered as follows:

(1) Physical examinations and immunizations performed at Department of State medical facilities (**in Washington and overseas**) without charge to the individuals are included in the AID/State shared administrative support arrangement.

(2) Other authorized medical services obtained elsewhere overseas (**e.g., private physicians, private hospitals, or U.S. Government hospitals**) are paid directly from the applicable Mission account.

(3) Authorized medical services, including physical examinations and immunizations performed in the United States by other than the Department of State medical facilities, are paid from the applicable AID/W account.

2. Coverage

a. Foreign Service Employees of AID and Their Dependents

This section is limited to medical services authorized Foreign Service employees and their dependents under the Foreign Service Medical and Health Program, including candidates for the AID Foreign Service and their dependents.

b. Participating Agency Employees

Medical expenses incurred by participating agency employees are accounted for as follows:

(1) If the medical services are performed overseas, the expenses are payable directly by the applicable Mission as an additional cost of the project to which the participating agency employee's other personnel costs are chargeable.

(2) If the medical services are performed in the United States, the expenses are paid by AID/W based on vouchers forwarded to AID/W by the State Department Medical Division.

c. Contractor Employees

U.S. Citizens (**and their authorized dependents**) serving abroad under a contract for services between a contractor and AID or between a host country and a contractor financed with AID grant funds are entitled to certain locally available health room services as provided in the applicable contract or other authorizing document.

d. AID/W Employees, and Other Agency Employees on Reimbursable Detail to AID/W

All non-Foreign Service AID/W employees and other USG employees on reimbursable detail to AID/W are excluded from coverage since such employees are not covered by the Foreign Service Medical and Health Program.

e. Foreign National Employees

Expenses for medical services for such employees performed at State Department medical facilities are included in the AID/State shared administrative support arrangement. Authorized medical services for foreign national employees not performed at State Department medical facilities are paid by the Mission, and are charged to subobject class

259, Miscellaneous Contractual Services.

3. Medical Services Performed in the United States

a. Authorization

(1) In AID/W, the Chief, Overseas Division (**M/PM/OS**), issues authorizations for physical examinations for employees in the AID Foreign Service and their dependents and for candidates for employment in the service and their dependents.

(2) Missions issue authorizations for medical examinations for an employee and his/her dependents to be taken in the United States, provided the employee or his/her dependents are unable to complete the examinations prior to departure from post on home leave or separation travel orders.

(3) Form DLS 820, Letter of Authorization for Medical Examination(s) and Immunizations, with Attachment of AID 4-175, Instructions for Obtaining Physical Examinations-Overseas Employment, is used for authorizing physical examinations.

(4) The State Department Medical Division authorizes all other medical services to be performed in the United States for the benefit of AID and participating agency employees, including hospitalization and related expenses incurred for eligible personnel evacuated from Foreign Service posts. Authorization for Medical Treatment, Form FS 569, or other form letter, is used for such authorizations. Examinations or consultations may also be authorized by the Medical Division by letter. Medical services include consultation, medical treatment, hospitalization, the furnishing of drugs, and equipment, such as vaporizers, beds, braces, and other minor items.

b. Numbering of Authorization Documents

In the issuance of authorizations, the authorization number also serves as the obligation number for accounting purposes. Authorization number series have been established and are to be assigned as follows:

(1) Mission Issuance of Authorization Documents

Authorizations issued by Missions cite a 7 digit authorization number which is used by AID/W as an obligation number. The first three digits of the number are the appropriate country code. The fourth digit is the fiscal year designator. The remaining three digits are consecutive obligation numbers; e.g., 2632001 represents the first and 2632010 represents the tenth authorization for Egypt, for FY 1982.

(2) Authorizations issued by the State Department Medical Division against AID/W funds cite a seven digit authorization number, commencing with number 8230001 through 8235000 for FY 1983, which is used by AID/W, Office of Financial Management, Support Services Division (**M/FM/SSD**), as the obligation number.

(3) Authorizations issued by AID/W, Office of Personnel Management (**M/PM**), against AID/W funds cite a seven-digit authorization number, assigned by the Office of Financial Management (**M/FM**), commencing with 8235001 for FY 1983.

(4) The assignment of authorization/obligation numbers are on a fiscal year basis, hence, new sequential numbers begin at the start of each fiscal year.

c. Distribution of Authorization Documents

(1) The original and one copy are given to the patient for delivery to the physician or institution authorized to perform the medical service. The original document instructs the physician or institution to return the original document to the State Department Medical Division with his/her bill for reimbursement.

(2) Promptly, upon issuance, one copy is forwarded to M/FM/SSD for use as an obligation document. An estimated amount to be obligated, based on the experience and best judgment of the originator, is inserted on this copy by the issuing office. The estimated amount need not be shown on other copies.

(3) One copy is forwarded to the State Department Medical Division for the employee's medical file.

(4) One copy is retained in the files of the issuing office.

d. Collections for Dependent's Medical Treatment

The requirement to pay a \$35.00 deductible for the cost of certain medical treatment for a dependent is eliminated. This former legal requirement was not continued by the Foreign Service Act of 1980. The \$35.00 charge should not be imposed after April 1, 1981.

e. Payments to Vendors

(1) All bills for medical expenses from doctors, hospitals and Government facilities are received initially by the State Department Medical Division.

(2) State Department Medical Division:

(a) Matches each bill properly payable to AID with the original or a copy of the authorization document.

(b) Prepares and administratively approves form DS-1486, Voucher or Sub-Voucher for Medical Services. This administrative approval is evidence that the goods and services were ordered, have been received, and the amount charged is properly payable.

(c) Submits daily the administratively approved vouchers with bill and authorization to M/FM/SSD.

(3) M/FM/SSD audits the voucher and schedules the voucher for payment.

f. Funds Chargeable

All bills pertaining to dependent's care are paid from the medical expense funding account.

g. Recoveries from Insurance Companies

The following procedures apply when an employee is covered by a hospitalization insurance plan and the U.S. Government contributes a portion of the premium cost:

(1) The State Department Medical Division sends a letter to the employee instructing the employee to file a claim with the insurance company and to transmit amounts received less authorized out-of-pocket expenses to the AID/W Cashier's Office. A copy of the

letter is included in support of the administratively approved voucher transmitted to AID/W, M/FM/SSD, for payment. Because the amount of the reimbursement is generally indeterminate, M/FM/SSD holds the letter in a separately identified follow-up file until the reimbursement from the insurance company is received.

(2) Out-of-pocket expenses are deducted from the amount received from the insurance company prior to transmission in accordance with 10D1. The insured must:

(a) Furnish documentary evidence of the total amount recovered (**e.g., the check stub accompanying the insurance company's check or a reproduced copy of the check itself**).

(b) Itemize amounts deducted and the reason therefor; and

(c) Concurrently forward the balance due the U.S. Government.

(3) If the employee fails to file a claim in accordance with the insurance carrier rules for recovery of expenses incurred, M/FM/SSD establishes an account receivable and issues an AID Bill for Collection, form AID 7-129. The accounts receivable is cross-referenced to and is established in the same amount as the administratively approved voucher for payment of the related medical services. The receivable is supported by the copy of the letter to the employee requesting that a claim be filed with the insurance company. M/FM/SSD is responsible to take follow-up action necessary to effect collection of the accounts receivable.

(4) The AID/W Cashier's Office processes amounts recovered from insurance companies as refunds, and M/FM/SSD credits the amounts recovered to the medical expense funding account. When an accounts receivable has been established, remittances from insurance companies are accepted as full liquidation of accounts receivable. The Notice of Collection Adjustment, form AID 7-128, prepared by the AID/W Cashier's Office pertinent to amounts recovered from insurance companies shows a cancellation in the amount of the difference between the amount of the account receivable and the amount collected.

4. Medical Services Performed Outside the United States

a. Authorization

(1) Principal or Administrative Officers of Foreign Service Posts have authority to order medical services at Government expense under the Foreign Service Medical and Health Program.

(2) The above authority includes authorizations of travel and per diem for American employees of AID and their dependents incident to authorized treatment while located abroad, and authorization to contract for the services of medical attendants to accompany the patient when deemed necessary by the post medical advisor or attending physician, including authorization of travel and per diem of such attendants.

(3) The above authorities also extend to employees serving as participating agency employees with AID.

(4) A family member incapable of caring for self if the family member remained at post may be authorized to travel with the

patient and be included in the medical travel order, provided that no suitable arrangement for care can be made at post. In these cases, the Principal Officer or representative shall verify that the conditions are met and that the travel is in the best interest of the U.S. Government.

b. Medical Travel

(1) Medical travel authorizations provide for return trip travel of the patient in each case.

(2) Travel authorizations issued by posts for evacuation of the patient to the nearest medical facility, or to a facility in the United States, may require amendments to extend the travel authority. The post nearest to the facility issues such necessary amendments authorizing evacuation to another facility or to the United States for further medical treatment. If an amendment is required after a period of hospitalization in the United States, the State Department Medical Division notifies the Office of Personnel Management (**M/PM**) which arranges for the issuance of amendments.

c. Obligations for Medical Expenses

(1) The Mission Controller furnishes the administrative office of the Diplomatic Mission at the post the obligation numbering series and accounting classifications to be cited on documents authorizing medical expenses, including medical travel expenses.

(2) Obligations for medical travel are charged to subobject code 215 - All Other. Subobject code 259 - Miscellaneous Contractual Services includes all costs, except travel, of authorized medical services of care, including immunizations and physical examinations only when obtained elsewhere than at Department of State facilities; hospitalization; services of physicians, nurses, anesthetists; and any services of attendants during medical evacuation travel. Subobject code 259 also includes any payments for costs to military or other U.S. Government hospitals. For more information refer to Handbook 18, Appendix D, Section III, Attachment A5.

d. Collection for Dependent's Medical Treatment

The requirement to pay a \$35.00 deductible for the cost of certain medical treatment is eliminated. This former legal requirement was not continued by the Foreign Service Act of 1980. The \$35.00 charge should not be imposed after April 1, 1981.

e. Payments to Vendors

(1) All bills for medical expenses for doctors, hospitals, and Government facilities are received initially by the Post Principal or Administrative Officer.

(2) The Principal or Administrative Officer:

(a) Matches each bill properly payable by AID with the original copy of the authorization document.

(b) Prepares and administratively approves Voucher or Sub-Voucher for Medical Services, form DS-1486. The administrative approval is evidence that the goods and services were ordered, have been received, and the amount charged is properly payable.

(c) Submits daily the administratively approved

vouchers with the attached bill and authorization to the Mission Controller for payment.

(3) The Mission Controller audits the voucher to the extent he/she considers warranted, schedules, and certifies the voucher to the Disbursing Officer for payment.

f. Funds Chargeable

All bills pertaining to dependent's care are paid from the appropriation from which the applicable employee's post or quarters allowances are paid.

g. Voucher Approval and Certification

(1) Administrative approval of medical expense vouchers is given by the Principal or Administrative Officer of the Foreign Service Post.

(2) Certification of medical expense vouchers is given by the AID Certifying Officer. If there is no AID Certifying Officer at the post, a Department of State Officer certifies medical expense vouchers for AID.

h. Recoveries from Insurance Companies by Employees at Missions

(1) The following procedures apply to cases where an employee stationed overseas is covered by a hospitalization insurance plan and the U.S. Government contributes a portion of the premium cost:

(a) The Principal or Administrative Officer at the post sends a letter to the employee instructing the employee to file a claim for reimbursement and to transmit amounts received less any authorized out-of-pocket medical expenses to the Mission Controller. A copy of the letter is included in support of the administratively approved voucher transmitted to the Mission Controller for payment. Because the amount of the reimbursement is generally indeterminate, the Mission Controller holds the letter in a separately identified follow-up file until reimbursement from the insurance company is received. The Mission Controller takes such action as may be necessary to effect recovery of amounts due the U.S. Government.

(b) Out-of-pocket expenses are deducted from the amount received from the insurance carrier prior to transmission to the Controller of the employing Mission.

The insurant must:

1. Furnish documentary evidence of the total amount recovered (**e.g., the check stub accompanying the company's check or a reproduced copy of the check itself**).

2. Itemize the amounts deducted and the reason therefor.

3. Concurrently forward the balance due the U.S. Government.

(c) If the employee fails to file a claim in accordance with the insurance carrier rules for recovery of expenses incurred, the Mission Controller establishes an accounts receivable and issues an AID Bill for Collection form AID 7-129. The accounts receivable is cross-referenced to and is established

in the same amount as the administratively approved voucher(s) for payment of the related medical services. The receivable is supported by the copy of the letter to the employee requesting that a claim be filed with the insurance company. The Mission Controller is responsible for taking follow-up action necessary to effect collection of the accounts receivable.

(d) Amounts recovered from insurance companies are accounted for as if they were recoveries of overpayments. Such recoveries are credited as refunds to the appropriation from which payment of the medical expense was made. When an accounts receivable has been established, remittances from insurance companies are accepted as full liquidation of the accounts receivable.

(2) Claims for medical services provided to contractor employees and authorized dependents by the Embassy medical unit are prepared and presented to the contract employee, unless these services are provided for in the applicable contract or other authorizing document.

5. Employee Liability

The ultimate responsibility for filing of medical insurance claims, and related follow-up thereof, is that of the employee and not AID or the State Department Medical Division. This provision applies to all medical expenses paid by the Government. The decision of the Comptroller General of the United States, No. B-82658, dated January 18, 1974, specifies in part ...employees having private health insurance coverage are required to act prudently by filing claims in accordance with insurance carrier rules for recovery of expenses incurred as a result of illness or injury for which the Government has paid medical care. Failure of an employee to recover insurance payments, unless such failure is for reasons beyond the employee's control, defeats the employee's right to health service at Government expense. The employee should be held indebted to the Government for the amount of the insurance payment to which the employee would have been entitled had the employee filed a claim in accordance with the rules of the insurance carrier. Since AID is required to take aggressive action to recover outstanding amounts due the U.S. Government, employees are encouraged to submit insurance claims promptly.

10E. RESERVED

10F. RESERVED

10G. RESERVED

10H. Accounting and Reporting - Excess Property

1. Handbook 16, Excess Property, contains policies, procedures, and guidance on AID's program for acquisition and utilization of U.S. Government-owned domestic excess property and foreign excess property under the Foreign Assistance Act of 1961, as amended, and the Federal Property and Administrative Services Act of 1949, as amended.

2. AID Accounting Manual Part VII - Excess Property, describes AID's system of accounting and reporting excess property under Section 608 of the Foreign Assistance Act of 1961, as amended. The system set forth in Accounting Manual, Part VII, has been approved by the Comptroller General and includes, in summary, the following:

a. It contains the detailed accounting and reporting procedures for the Revolving Fund (72X4590) authorized by Section 608 of the Foreign Assistance Act of 1961, as amended, and a description of current related

operating policies and procedures. It implements the financial management objectives of Section 112(b) of the Budget and Accounting Procedures Act of 1950 (**P.L. 81-784**) for the Revolving Fund.

b. It provides for integrated budgetary and proprietary controlling accounts over the funds and other assets of the Section 608 Program, including the U.S. Government's net investment in the Revolving Fund. Related control features assure compliance with the statutory limitations of Section 608 for the acquisition and retention of excess property under the program.

c. It provides accounting controls over the resources, expenditures, costs disbursements, and revenues of the Section 608 Program through the establishment and maintenance of accounts, records, and reports covering the complete program.

d. It also provides the basis for assuring that the fiscal and financial status and results of operation of the Excess Property Revolving Fund are reported fairly, accurately, and in a meaningful manner to AID management and the central fiscal agencies of the Federal Government in accordance with established accounting principles and practices and regulatory requirements.

10I. Country-Financed Technical Services

1. Policy

a. AID policy on Country-Financed Technical Services (**CFS**) authorized under Sections 607 and 661 of the FAA is established pursuant to the basic statements approved by the Deputy Administrator (**Attachments 10D and 10E**). Related implementation criteria under Section 607, also approved by the Deputy Administrator, cover mechanisms for financing reimbursable technical services; contracting and procurement procedures; recovery of costs, including Agency overhead; and other operational requirements which from time to time need to be standardized for effective conduct of reimbursable projects and activities in accordance with the basic policy.

b. AID financial management of reimbursable technical services is consistent with these requirements, statutory provisions and related congressional intent. The standards and guidelines below apply to the conduct of the financial management function for reimbursable projects and activities where AID is the responsible implementing agency under reimbursement agreements with all entities (**foreign country, international organization, or nonprofit voluntary agency**) covered by the authority of Section 607.

2. Coordination

a. SER/FM is responsible for the financial management coordination of CFS projects and activities, including budget estimates, funding and financial analysis. SER/FM supports and assists the Office of Country-Financed Technical Services (**SER/CFS**) which is primarily responsible for the centralized operational aspects of reimbursable technical services, to assure effective financial management of program operations. SER/FM also provides related assistance service to the Coordinator of Reimbursable Development Program. C/RDP, as required, for, maximum effective coordination of all activities undertaken under country-financed arrangements.

b. AID Program Bureaus and Offices have responsibility for communicating with SER/FM and SER/CFS as early as possible in the conception and development of reimbursable activities for guidance and direction on the financial requirements of specific projects or

undertakings. The participation of AID/W technical offices--SER/ENGR, SER/COM, SER/IT, and others--in the financial aspects of these proposals is in accord with the primary responsibility of SER/FM for determinations governing the financial implementation of reimbursable technical services.

c. AID Regional Technical Services Attaches and other designated field personnel are responsible for prompt and timely action, through the cognizant AID/W program Bureau or Office, for advice to SER/FM and SER/CFS on all financial developments in the process of reaching agreement on a definitive CFS proposal for guidance and direction on compliance with AID standards and criteria for financial implementation.

d. Any action which commits or obligates funds or resources of the U.S. Government, cooperating country, or other organization covered under Section 607 must be cleared with SER/FM before execution and after coordination with SER/CFS. The Regional Services Division, SER/FM/RSD, is responsible for clearing Section 607 agreements. See also Section 10I4c(3) on contract commitments.

3. AID Implemented CFS Projects

SER/FM coordination of CFS projects and activities covers the following categories:

a. Section 607 reimbursable projects under an AID bilateral agreement, whether implemented by AID direct-hire technicians, another U.S. Government agency or AID contractors.

b. Section 607 reimbursable projects programmed under the auspices of a Joint Economic Commission (**JEC**) with a cooperating country and coordinated by a designated U.S. Government agency.

c. AID participation in reimbursable technical cooperation projects administered by another U.S. Government agency pursuant to delegation of authority under Section 607 of the FAA or other USG agency authority.

4. Section 607 Projects and Activities

a. Reimbursable Services and Commodities

Section 607 reimbursement agreements must be consistent with AID policy and legal parameters governing the furnishing of services and commodities for technical cooperation benefiting friendly countries, international organizations, the American Red Cross, and voluntary agencies as provided in the FAA. Project budget estimates under reimbursement agreements give effect to all costs in accordance with these requirements and criteria. See Section 10I4d for reimbursable cost factors. Attachment 10I covers the parameters of Sections 607 and 661 authorities.

b. Financial Considerations

Benchmark considerations for effectively carrying out the financial aspects of CFS projects and activities, based on information from the Regional Technical Services Attache and other field personnel and coordinated as provided in Section 10I2, include:

(1) Preliminary matters covering scope, method of implementation (**AID, contractor, or other USG agency**), costs, budgets, country contribution, logistical support, local cost financing, etc.

(2) Identification of inputs to the project to support the

project budget estimate as basis for agreement with the cooperating country.

(3) Confirmation of the incurrence of project costs, in accordance with the project budget estimate, disbursed in local currency charged to the project or in U.S. dollars at AID/W.

(4) Ongoing review of actual against estimated project costs for action, if required, with the cooperating country for increase in project funding.

(5) Execution of amended agreement for additional funding to cover upward adjustment of project budget estimates and receipt of funds prior to continuance of project work.

(6) Establishment of project completion or termination, acceptance by cooperating country and determination of final costs.

c. Funding of Section 607 Agreements

(1) Funding Mechanisms

(a) Section 607(a) of the FAA provides three mechanisms for financing CFS projects and activities; i.e., **Advance of Funds**, **Reimbursement of Funds**, and **Deferred Payment**. It is AID policy that the preponderance of country-financed activities be financed on the **Advance of Funds** basis. The use of the other two funding mechanisms is limited to exceptional cases in accordance with specific AID authority for each project.

(b) In certain situations AID may agree to an initial advance from the cooperating country with subsequent installments as specific phases of the project are completed. AID determines the propriety of this arrangement based on such factors as the time-span of the project if it extends beyond 1 year, the financial circumstances of the country, and other relevant considerations which are reasonable and prudent from the point of view of sound business judgment and financial management to support installment financing.

(2) Establishing Fund Availability

(a) AID/W establishes fund availability for country-financed projects in the official accounts maintained by SER/FM/RSD when the advance is received and deposited with the U.S. Treasury. In some cases the country embassy in the United States may make the advance directly to AID/W; when this occurs, SER/FM promptly coordinates advice of the receipt of the advance with the responsible AID/W program Bureau or Office for notification to the Regional Technical Services Attache or other field personnel at the Mission in order to permit the early commencement of project operations.

(b) When the advance from the country is received at the Mission or other field location, the dollar funds must be deposited promptly with the servicing U.S. Disbursing Officer (USDO). Advice is furnished to AID/W, attention SER/FM/RSD, with copies of supporting collection and deposit documentation.

(c) When estimated local project costs are agreed to be financed as the country contribution to the project, that is, where the funds are not held in an AID controlled account, advance of local currency funds and deposit by AID is not required. Disbursements for such costs are charged to country-owned funds

held in the country bank. However, if the agreement provides for the transfer of equivalent local currency funds to the custody of the United States, the currencies received as an advance to cover the local cost element of the project are deposited by the USDO to a depository facility in the country approved by the U.S. Treasury for this purpose. Advice of deposit and documentation is furnished to AID/W, attention SER/FM/RSD, in the same manner as for local receipt and deposit of dollar advances.

(d) When AID participates in carrying out a project under the auspices of a JEC, the availability of funds to cover AID costs originates either from transfers to AID from the responsible USG central coordinating agency or from funds advanced directly to AID by the cooperating country. Notification to the field as a basis for authority to start work on the project is provided in accordance with Section 10I4c(2)(a).

(e) AID input to a reimbursable project of another USG agency (**not a JEC arrangement**) is provided in accordance with the terms of an interagency agreement. Obligation of AID funds is not incurred until SER/FM determines that funds therefor are available and the field notified.

(3) Country-Financed Contracts

(a) Costs of country-financed services (**and commodities**) are obligated only when funds are available in AID accounts as set forth in Section 10I4c(2).

(b) AID-negotiated country financed contracts, when signed by AID, are not executed until such time as funds have been received, deposited, and recorded in the official accounts.

(c) For AID-negotiated country financed contracts, whether signed by AID or the host government, Requests for Proposals (**RFP's**) may be initiated by the contracting officer if a binding agreement with the host government has been executed. The agreement must (1) clearly and precisely detail the obligations of the country and all relevant financial terms and conditions; and (2) assure recovery of all proper costs AID may incur in providing reimbursable assistance. If the contract is signed by AID, funds must be on hand.

d. Budget Estimates and Cost Factors

(1) AID Bilateral Agreements

(a) Budget estimates for country-financed projects cover the total cost of the undertaking to be incurred by AID plus such amounts to be contributed from country resources in addition to the funds advanced to AID. Cost parameters are consistent with AID legal and policy determinations as well as underlying statutory authority and Agency regulations governing the furnishing of services and commodities under Section 607.

(b) Costs are classified as **direct** and **indirect** project costs as a basis for reimbursement to USG. Direct costs are those identified specifically with the resources applied to the accomplishment of the project as shown by budget line items. Indirect costs are the overhead costs incurred in AID/W operations, including program and management support, which clearly and fairly benefit the project and enhance its conduct in a substantive manner. Indirect costs are assessed on reimbursable projects on an incremental basis to give effect to the

cost-benefit relationship. Overhead is assessed on all AID bilateral projects, carried out under any of the implementation methods in Section 10I3a; the assessment is also established against AID direct costs incurred under a project administered by another USG agency as in Section 10I3c.

(c) Cost classifications of direct and incremental costs which are generally applicable to AID reimbursable projects under Section 607 are listed in Attachment 10F. In most respects these classifications are comparable to cost categories prescribed for major JEC projects coordinated by the U.S. Treasury. Modifications or deviations are not authorized without prior review and approval of the Deputy Administrator.

(d) The project budget estimate is an integral part of the reimbursement agreement. A model format is shown in Attachment 10G. The cost classifications in Attachment 10F are represented by project budget line items in terms of expenditure objects for fiscal control. The budget covers the entire time span of planned project performance by fiscal year of implementation. The project budget estimate is incorporated as an annex or standard provision of the agreement. Standard provisions also cover periodic review of actual against estimated costs and upward adjustment of estimates based on recurring reports from AID. The reports are prepared from the official accounts maintained by SER/FM/RSD. The project budget estimates identify costs reimbursable to AID and amounts contributed by the host country which do not pass through the AID accounts. Amounts payable in U.S. dollars and in local currency costs is identified as to -

1. Country advances deposited to the AID local currency trust fund, Account 72FT800
2. Contributions from country-owned funds held in the country bank
3. Local project costs charged to the advance of U.S. dollars from the host country held in the AID dollar trust fund, Account 72X8502.

(2) Overhead Rates

(a) Overhead rates reflecting incremental costs are applied to AID reimbursable projects, 10I4d(1)(b), as a percentage of direct costs or assessed in a specific dollar amount. Overhead rates give effect to the workforce levels required in certain AID/W operations and functions to provide benefits directly attributable to country-financed program. Separate rates apply to the technical services, procurement and training components of country-financed projects, each rate reflecting the variations in workforce effort at AID/W which generate incremental costs. The overhead rates also reflect differences in AID/W workforce costs that are equitably distributable to each method of AID implementation (**AID direct, contractor, or PASA technicians**). Attachment 10H shows the overhead rate schedule approved as a basis for initial application of the incremental cost concept and related explanation.

(b) Costs which are financed from AID appropriated funds for Section 661 activities are not reimbursable by the recipient country and are excluded from the overhead assessment. (**See Section 10I7 below.**) Agreements which involve more than the type of services contemplated under Section 661 provide for a

special assessment depending upon the services rendered. See Attachment 10H for rates initially approved for this purpose.

(c) The AID overhead on JEC projects implemented by the Agency is governed by the allocation criteria of the JEC coordinating agency and the underlying Technical Cooperation Agreement between the coordinating agency and the recipient country. When AID contributes to a JEC project for which another USG agency has operating responsibility, AID overhead on direct costs is the same as on AID bilateral projects implemented by AID unless such rates are inconsistent with the established JEC agreement. **(See Attachment 10H, column 1 of schedule, for initial assessment factors.)**

(d) AID direct costs incurred in participating in a country-financed project of another USG agency (**not a JEC project**) are assessed at the same overhead rates as apply to AID country-financed projects. See Attachment 10H, column 1 of schedule, for initial assessment factors.

(3) Coordination of Project Budget Estimate

(a) SER/FM/RSD and the responsible AID/W program or technical office jointly develop final budget estimates for AID bilateral projects based on project resource requirements ascertained with the Regional Technical Services Attache, other responsible field elements, and AID/W Bureaus and Offices which contribute workforce and other inputs to the project. Departures from the standards and criteria set forth in Section 10I must be submitted for consideration and approval by the Deputy Administrator, supported by financial, technical, and other analytical justification.

(b) Project budget estimates for JEC projects carried out by AID are also developed jointly by SER/FM/RSD and involved AID/W elements. The overhead rate conforms with the JEC criteria as provided in Section 10I4d(2)(c) above. The estimates are included in the AID operating agreement with the recipient country covered by the JEC charter.

(c) SER/FM/RSD exercises similar responsibility for development of project budget estimates, funding and related financial matters on AID contributions to country-financed projects of other USG agencies (**both JEC and non-JEC projects**), Sections 10I4d(2)(c) and 10I4d(2)(c) above.

5. Maintenance of Official Accounts - Section 607 Projects and Activities

a. Funds and Project Costs

(1) Maintenance of the official accounts on project costs and funds for country-financed projects and activities is the responsibility of SER/FM/RSD. Accordingly, all reports on fiscal and financial implementation for internal Agency needs, to the recipient country or to other organization originate in AID/W and not the field.

(2) Reports based on the official accounts for the recipient country or other organization are consistent with the reimbursement agreement provisions and coordinated with SER/CFS. Reports are transmitted through the AID/W program Bureau or Office. AID reports on JEC projects carried out by the Agency are furnished to the recipient country or organization through the USG coordinating

agency.

(3) Reports on AID participation and input to a country-financed project implemented by another USG agency (**not a JEC coordinator**) are furnished to the recipient country or organization by the agency having primary operational responsibility. Recovery of AID costs incurred in carrying out the project is effected in accordance with normal interagency billing procedures.

(4) Regional Technical Services Attaches and other responsible field personnel and organization provide AID/W with documentation and relevant supporting information as required to assure the validity and accuracy of the financial activity of reimbursable technical projects reflected in the accounts maintained at AID/W.

b. Advice on Funding and Financial Arrangements

(1) Funding requirements of reimbursable projects administered under AID bilateral agreements are coordinated by the responsible AID/W program Bureau or Office with SER/FM/RSD. SER/FM assists in the selection of an appropriate financial arrangement for assuring that fund availability is established prior to the commencement of project activity. The Regional Technical Services Attache and other responsible elements of the field organization must assure that reimbursement agreements are cleared with SER/FM in advance of final negotiation. AID/W coordination for this purpose is originated by SER/CFS and the responsible program Bureau or Office.

(2) For JEC projects the responsible AID implementing Bureau or Office ascertains with SER/FM/RSD that the Agency has received funds or obligational authority through the USG central coordinating agency or directly from the cooperating country before commitments or obligations are incurred.

c. Establishing Obligational Authority

(1) For dollar-funded reimbursement agreements, authority to incur obligations is established in the AID Dollar trust account 72X8502 when the agreement is signed and funds deposited with the U.S. Treasury. These actions are documented by the issuance of an Advice of Allotment by SER/FM/FCD to the designated allottee with a copy of the servicing accounting office, SER/FM/RSD.

(2) For reimbursement agreements funded in part by host country local currency deposited to the U.S.-controlled local currency trust fund 72FT800, authority to incur obligations for local project costs is established in the foreign currency controls maintained by the Mission or other servicing accounting station when the currencies are deposited and the agreement signed supported by relevant documentation. Advice of deposit is furnished to AID/W as provided in Section 10I4c(2)(c) for programming and related financial management needs.

(3) For reimbursement agreements providing for an initial advance and subsequent installments to cover the needs of the project in later phases of implementation, obligational authority established in the accounts consist of (a) cash availability in the amount of the deposit upon inception of the agreement and (b) reimbursable obligational authority for the balance of the project amount. The Advice of Allotment issued to the designated allottee (**copy to SER/FM/RSD**) by SER/FM/FCD is supported by documentation on provision in the agreement for AID to unilaterally cancel the agreement within a specific period if the country fails to meet the installment due

date of each subsequent deposit.

(a) Under installment financing, cash availability for the project in the AID dollar trust fund must be adequate at all times for the liquidation of expenditures charged to the project. SER/FM/RSD pursues aggressive and persistent follow-up with the cooperating country, through the responsible AID/W program Bureau or Office, for the timely deposit of installment payments to cover continuing project requirements. Pending receipt of prompt and adequate deposits for credit to the project account in the trust fund, SER/FM/RSD suspends voucher certification and disbursement against the account. SER/FM/RSD is responsible for notifying the AID/W program Bureau or Office of the expiration of the date for periodic installments due from the cooperating country. As provided in the agreement, the responsible AID/W Bureau or Office takes action to suspend or terminate the agreement if compliance with deposit due dates is not effected.

(b) Obligation of country-financed contracts signed by AID is incurred only when funds have been deposited in the AID trust account (**dollar or local currency**). (**See Section 1014c(3) above.**)

(c) Obligation of other project requirements under installment financing arrangements is incurred in accordance with the scheduled work plan for the project and within the amount of expenditures anticipated for timely liquidation of obligations. (**See Section 1015c(3)(a) above.**)

(4) When country-financed services are financed by the reimbursable payment or deferred payment methods (**Section 607a(1) and (2) of the FAA**), contracts and other project requirements are obligated against allotments from reimbursable, obligational availability specifically authorized and established under an AID appropriation account.

d. Local Cost Financing

Project local costs financed from host country local currency deposited in the AID local currency trust fund or charged against the dollar advance to the AID dollar trust fund are established in the official accounts maintained at AID/W or in the field. (**See Section 1014d(1)(d).**) Local costs financed from the cooperating country's resources which do not pass through the AID accounts are determined with the country budget authority against the amount set forth in the agreement as the country contribution. Reimbursement by the cooperating country in local currency for dollar costs incurred by AID is not authorized unless approved by the U.S. Treasury for exceptional cases.

e. Monitoring Responsibility

(1) Responsibility for monitoring CFS projects and activities is consistent with the coordination and related actions set forth in Section 1012. Program and operational responsibility for this purpose rests with SER/CFS and implementing Bureau or Office. SER/FM provides pertinent reports on costs and fiscal and financial implementation, including the status of funds, for the needs of the primary monitoring AID/W organizations.

(2) Reports on JEC projects or projects carried out under an interagency agreement, for the monitoring needs of concerned AID/W organizations, other agencies, and the cooperating country are provided on fiscal and financial implementation aspects from the official accounts. (**See Section 1015a.**)

f. Examination and Audit

Guidelines for contracting procedures and contract provisions for country-financed contracts, approved by the Deputy Administrator on September 28, 1976, with respect to cost reimbursement contracts negotiated by AID, provide (1) the right of AID to examine records related to a contract and (2) the right of AID to audit such contract. The guidelines apply either when AID negotiates the contract but the host government signs.

6. Standard Agreement Provisions

To the extent practical, AID operating agreements for reimbursable technical projects contain standard provisions or annexes on project budget estimates (**see Attachment 10G**) and funding methods. Standard provisions or annexes for other relevant financial elements are included in the agreement for the following requirements:

a. Grades, salaries, allowances, travel and other personnel costs of technicians, specialists, and others identified with the project (**AID direct-hire, other USG agency or AID contractor**).

b. Reports on financial implementation and status of funds.

c. Title to and reversion of unused supplies and equipment to the cooperating country or other organization.

d. Return by the USG of unused funds.

e. Other financial elements identified as needed by operational and program elements of AID/W.

7. Section 661 Activities

a. Authority

(1) Section 661, as amended by the 1975 FAA authorization act, authorizes the use of funds up to \$2 million made available by the FAA in each of fiscal years 1976 and 1977 for activities which stimulate and support reimbursable development programs (**country-financed technical services**). Expenditures for this purpose are not reimbursable.

(2) Guidelines for use of Section 661 authority were approved by the Deputy Administrator on May 13, 1975, Attachment 10E. The activities which are subject to the limitation are set forth in a GC Information Memorandum for the Deputy Administrator, dated July 22, 1975, Attachment 10I.

b. Source of Funds and Allotment Authorization

(1) Costs Chargeable to the Section 661 Limitation

Costs chargeable to the annual limitation amount of \$2 million for Section 661 activities are established under the development program account authorized in Section 106 of the FAA, Technical Assistance, Energy, Research, Reconstruction, and Selected Development 10I7b(1) Problems, AID appropriation 72-11X1026. The costs, by expenditure object and originating AID/W or overseas organization, follow:

Costs Charged to Section 661 Limitation

Originating AID/W or Field Organization	Expenditures			
	Salaries	Inter- national Travel	Miscel- laneous Expenses	Field Support
1. SER/CFS		X		
2. Contractor, PASA, Consul- tant, PSC Personnel, other USG Personnel	X	X	X	
3. Coordinator, RDP and Over- seas Personnel	X	X	X	X
4. Other AID/W Offices	X*	X		

***Only for TDY in excess of 90 days.**

All of the above costs under the Section 661 limitation are provided in funds allotted to AID/W allottees, except Field Support costs of overseas personnel; i.e., Regional Technical Services Attaches and other responsible personnel involved in Section 661 activities; the latter are allotted to the designated field allottee. For example, funds for fiscal year 1977 operations are distributed in the following allotments.

Allotments for Costs Charged to Section 661 Limitation

			Expenditures			
Allotment	Account	Cost Incurred By	Sal- aries	Inter- national Travel	Miscel- laneous Expenses	Field Sup- port
426-22-099-00-73-71		Contractor, PASA, Consultant, PSC Personnel, other USG Personnel	X	X	X	
426-22-099-00-73-71		SER/CFS, Coordin- ator/RDP & Other AID/W Offices		X	X	
426-11-000-00-01-71		Coordinator/RDP and Overseas Personnel	X			
426-51-XXX-00-73-71		Overseas Personnel (C/RDP Personnel)		X	X	X

(2) Related Costs Not Chargeable to the Section 661 Limitation

The annual \$2 million limitation on Section 661 costs excludes the cost of operations of SER/CFS, which is charged to the Agency Operating Expenses account, appropriation 72-1171000 (**fiscal year 1977 symbol**). Also, salaries of other AID/W Offices are charged to Operating Expenses except for TDY assignments exceeding 90 days when the salaries are charged to the Section 661 limitation. (**See Section 10I7b(1).**) A summarization of these costs and the funding allotments for illustrative fiscal year 1977 operations follow:

Operating Costs Excluded from Section 661 Limitation

Expenditures

Allotment Account	Cost Incurred By	Sal- aries	Inter- national Travel	Miscel- laneous Expenses (Dom.Tvl)	Field Sup- port
700-11-000-00-01-71	SER/CFS & Other AID/W Offices	X*			
700-11-000-00-04-71	SER/CFS & Other		X		
700-51-XXX-00-10-71	AID/W Offices			X	
700-11-000-00-37-71	"				X

NOTE: Not shown are various allotments to AID/W allottees; e.g., 700-16-000-00-02-71, charged with other operations of SER/CFS and other AID Offices.

* Excludes TDY in excess of 90 days for other AID/W Offices.

c. Budget Estimates

(1) Budget estimates for Section 661 requirements charged to the annual limitation and the AID program account, Section 10I7b(1), are the responsibility of SER/CFS. The estimates are coordinated with C/RDP and SER/FM/SPD, which furnishes the format to be used by SER/CFS in developing the amounts, and cleared with PPC.

(2) The estimates are based on quantifiable criteria in terms of person/years, overtime allowances, person/days for intermittent employees (**W.A.E.**), benefits, trips, publications, equipment or special facilities devoted solely for the purpose of Section 661 effort, and individual contract activity. Guidance on special measurement indices or formulas is provided by SER/FM/SPD for use by SER/CFS in developing realistic budget requirements against the annual limitation.

(3) The approved funding plan for Section 661 activity chargeable to the limitation against the program account 72-11X1026 is furnished to SER/CFS by SER/FM/SPD as a basis for initiating request for issuance of Advice of Allotment; coordinating request for issuance of Advice of Allotment to field allottees as needed; and monitoring all costs against the program limitation amount, including salaries and benefits (**allotted to the Controller**). Salaries and benefits are controlled by the personnel ceiling and on board employees working in the program.

(4) Estimates for Section 661 activity chargeable to the AID program account 72-11X1026 are excluded from the programming system prescribed for AID substantive programs (**see Handbook 3**).

(5) Costs charges to Operating Expenses are covered by the Operating Expenses funding plan and allotments thereunder to various AID/W allottees in accordance with existing procedures for administrative control over funds for AID operations.

d. Accounting Responsibility for Section 661 Program Costs

(1) Section 661 costs charged to the development program account 72-11X1026 for which funds are allotted to SER/CFS are

recorded in the official accounts maintained by SER/FM/RSD. Costs incurred for personal compensation and benefits are reflected in the official accounts maintained by SER/FM/ESD. Costs for field support for which funds are allotted to overseas allottees are controlled in the accounts of the servicing Mission, if in existence in the cooperating country, or other field servicing organization.

(2) SER/FM/RSD establishes the allotment account for funds allotted to SER/CFS (**allottee 22**) upon receipt of Advice of Allotment in the amount of the OYB approved program level as previously requested by SER/CFS. As required SER/FM/RSD assists SER/CFS in coordinating and submitting the request for allotment to SER/FM/ESD. Administrative control over funds allotted to AID/W and field allottees is the function of the respective servicing accounting offices.

(3) SER/FM/RSD has overall responsibility for preparation of consolidated financial activity reports charged to the Section 661 limitation. Information is provided by allotment activity reports and approved funding plans and reported quarterly to SER/CFS for use in monitoring the status of the limitation amount and drawdowns thereunder. Report specifications are established by cooperative action by SER/FM/RSD with SER/CFS, including disclosure of the following:

- (a) Actual and budgeted expenditures (**including accruals**) under the annual limitation amount.
- (b) Costs incurred by expenditure object, current period and cumulative.
- (c) Expenditure projections for the remainder of the fiscal year.
- (d) Analytical and interpretive comments on variances, expenditure rates, and other significant financial data for management needs.

e. Obligations and Expenditures

(1) Section 661 costs charged to the annual limitation are obligated in accordance with normal obligating documentation; e.g., bona fide personnel actions; travel authorizations; orders for supplies and services identified with the conduct of the program; printing requisitions; and other essential procurements incurred in furthering the program objective.

(2) Personnel action requests, within the ceiling provided by the approved funding plan, must be approved and authorized by the Coordinator, RDP, and SER/CFS. Salaries and related costs charged against allotment 426-11-000-00-01-71 Section (**1017b(1)**) are obligated as a function of the computerized American Payroll System maintained by SER/FM/ESD and supported by Time and Attendance Reports for amounts actually paid to employees. The payroll obligation number is assigned by SER/FM/ESD.

(3) Travel authorizations (**TA's**) against allotment 426-22-099-00-73-71 must be approved by SER/CFS without regard to the Bureau of Office in which the traveler is located. TA's are formally authorized for issuance by SER/MO, Obligation numbers are assigned to TA's by SER/FM/RSD in accordance with control techniques established for this purpose. Other obligations against the allotment are also numbered by SER/FM/RSD.

(4) Contracts charged to the Section 661 limitation against allotment 426-22-099-00-73-71 (**Section 10I7b(1)**) must be authorized by SER/CFS for negotiation by SER/CM. Implementation documentation prescribed for AID procurement is cleared with SER/FM/RSD before release to SER/CM for negotiation. After the contract is negotiated and signed but before release to the contractor, SER/CM submits the contract to SER/FM/RSD for prevalidation and certification of fund availability in accordance with Chapter 1 of this Handbook.

(5) Other requirements covering miscellaneous expenses chargeable to the Section 661 limitation specifically arising in connection with the carrying out of the program are obligated against allotment 426-22-099-00-73-71 in accordance with the documentation prescribed in Chapter 1 of this Handbook for operating-type expenses; e.g., supplies, printing, various procurements, etc.

(6) Charges to the field allotment 426-51-XXX-00-73-71 are established by obligations incurred by the designated field allottee, in accordance with underlying obligation concepts, within the limit of the approved funding plan for local program costs. Obligation numbers are assigned by the field allottee (**see Handbook 18, Appendix D**).

(7) Expenditures charged to the Section 661 limitation in the AID/W program allotments are certified for disbursement by the U.S. Treasury by the servicing accounting office as follows:

(a) All payments against allotment 426-22-099-00-73-71, except international travel and transportation, are normally scheduled and certified for disbursement by SER/FM/RSD.

(b) International travel and transportation disbursements are scheduled and certified by SER/FM/ESD. Paid vouchers are recorded against the allotment 426-22-099-99-73-71 maintained by SER/FM/RSD.

(c) Salaries and benefits charged to allotment 426-11-000-00-01-71 in the American Payroll System are scheduled and certified for payment by SER/FM/ESD in accordance with normal payroll procedures.

(d) Costs incurred against the field support allotment 426-51-XXX-00-73-71 are certified for payment by an AID certifying officer if present in the cooperating country or, when there is no AID certifying officer, by an appropriate official of the American Embassy having delegated authority. Payment is made through the USDO if established in the country; or through the Regional Disbursing Office of the Treasury (**Paris or Manila**) as applicable.

(8) All program allotments, Section 10I7b(1) above, reflect quarterly accruals for expenses incurred but not paid for, including accruals established on a constructive receipt basis, in accordance with normal fund control procedures.

(9) Inquiries relating to allotment activity and fund status are addressed by SER/CFS to the servicing accounting office, SER/FM/RSD or SER/FM/RSD, for funds allotted to AID/W. Questions on funds allotted to the field are coordinated by SER/CFS with SER/FM/RSD before follow-up, if required, with field allottees.

f. Reports

(1) A quarterly management report is furnished by SER/FM/RSD to SER/CFS as provided in Section 10I7d(3). A copy of the report is

furnished to SER/FM/SPD. The report is cleared with the Controller. Report control is to be established with SER/DM when report specifications are defined and agreed to by the originating and receiving offices.

(2) AID/W reports on monthly allotment activity and quarterly unliquidated obligations produced by the mechanized allotment system are furnished to SER/CFS.

(3) Monthly field allotment activity reports are submitted to AID/W in accordance with Chapter 9 of this Handbook.

10J. Accounting for Participant Training

1. Background

a. Beginning July 1, 1973, the Agency instituted an improved and simplified system for accounting for noncontract participant training programmed by AID/W in order to effect greater economy and efficiency in AID operations and more effectively carry out development program activity.

b. The change provides for the distribution of funds for all training costs incurred under Mission and AID/W development projects, including previously centrally funded costs for support of participating agencies and programs managed by the Office of International Training (**SER/IT**), for the benefit of AID participants. The system eliminates cross-disbursing by AID/W against Mission allotments and the discontinuance of Advices of Charge for payments made against individual PIO/P's. Instead, Missions and AID/W program offices accrue the cost of training against their allotments at predetermined amounts as training takes place as a basis for liquidating the amount obligated for training. Quarterly, AID allottees transfer to AID/W credits in the amount equal to their accruals during the period as a basis for funding disbursements for participant training without further adjustment of Mission or AID/W program office obligations to reflect actual amounts disbursed by AID/W. Credits to AID/W are nonexpenditure transfers in the accounts of AID allottees and represent the utilization of an equivalent amount of training funds based on accrued costs incurred in each quarter in which participant training is in progress. The transfers are made on the Summary of Allotment Ledger Transactions and Reconciliation with Disbursing Officer's Accounts, Report Control Symbol U-101. (**See Chapter 9.**)

2. Training Costs

a. Standard Costs

Funds allotted for participant training cover tuition, participant maintenance and related miscellaneous costs, participating agency support costs and costs of SER/IT centrally managed training activities to enhance, enrich, and promote the beneficial effect of the training experience of participants when training is programmed by AID. The system provides for the full funding of these costs to Missions and AID/W program offices. Upon inception of standard costs, funds were allotted to cover training obligations and expenditures at standard rates prescribed by AID/W. The standard rates were the result of analytical cost determinations made by AID/W as a basis for the equitable and fair allocation of the average cost of training attributable to academic and nonacademic training categories, respectively.

b. Modified Standard Costs

Effective July 1, 1976, standard rates formerly applied to the cost of academic and nonacademic training, respectively, based on average costs, Section 10J2a, are modified to more accurately match funding to costs based on experience and benefits to participants for training implemented by AID through the use of outside training institutions and USG participating agencies. (**See also Handbook 10, Participant Training, Chapter 12.**) The modification is authorized as set forth in Attachment 10J of this Chapter.

(1) Changes Based on Benefits to Participant or Groups of Participants

The modified standard rates per person/month of participant training carried out by AID reflect the following changes:

- (a) Costs of actual tuition for academic programs, or known training costs for nonacademic programs, at universities, institutions, or other organizations.
- (b) AID maintenance allowances prescribed for each participant, Handbook 10, Chapter 25 and Appendix C.
- (c) A prescribed dollar factor for other miscellaneous costs directly benefiting a participant; i.e., books, insurance, domestic travel, support charges of participating agencies under form AID 240-2, Resource Support Service Agreements (**RSSA's**), and complementary programs managed by SER/IT. The factor also includes a contingency element for inflation.

(2) Implementation of Modified Standard Rates

- (a) Funds obligated beginning July 1, 1976, give effect to modified standard rates, based on the above elements, for each category of training, academic and nonacademic, respectively. Based thereon, the following amounts are used as **advance** estimates on form AID 1380-1, Project Implementation Order/Participants (PIO/P)*, forwarded to AID/W, SER/IT:

Training Organization	Person/Month Training Costs	
	Academic Training	Nonacademic Training
University, Institution, other Facility (except USDA)	\$850	\$1600
USDA	\$900	\$1735

The above estimates are reflected on PIO/P's with such additional specific amounts chargeable to the PIO/P as (i) international travel if authorized by the Mission (**see Handbook 10, Chapter 17**) and (ii) cost of interpreters and escorts when required at the following rates:

Monthly Cost Per Participant

Single Country Participants	Multi-country Regional Teams	All Other
\$3000	\$600	\$600

* New unification procedures for implementation and

documentation of AID project assistance contemplate extension at an appropriate time of form AID 1300-3, Project Implementation/Procurement Advice (**PIPA**), to the training component of AID projects (**see AIDTO Circular A-650, 12/15/76**).

(b) The above amounts comprise preliminary estimates of the person/month cost of training to be shown on implementation documents (**PIO/P's or PIPA's when applied to training**) until such time as Missions and AID/W program offices are able to establish the cost of training based on actual tuition or other training charges and scheduled maintenance allowances. When this capability is achieved, the guideline amounts in Section 10J2b(2)(a) for transition to modified standard rates will be discontinued as each Mission or AID/W program office substitutes actual costs. In addition to actual costs for tuition and maintenance, an additional \$100 per person/month of training for miscellaneous costs is included in the total charged to the training project.

(c) SER/IT determines the final actual cost of training and **issues** the cleared PIO/P's. The amounts shown on the **issued** PIO/P's are the basis for adjustment of funds originally obligated by Missions or AID/W program offices which used budget guideline estimates or other costs determined from information available to them. Upon receipt of the **issued** PIO/P, the originating Mission or AID/W office adjusts the charge previously recorded on the basis of the advance estimate or **best known** actual costs.

(3) Transfer of Costs to AID/W

(a) The actual costs on the **issued** PIO/P are the basis for the transfer of funds to AID/W. AID/W continues to disburse costs for training from the Master Disbursing Account, the AID/W central funding account derived from these transfers, in accordance with the concept and procedures of the Participant Training Cost System in effect since inception, Section 10J1. Occasional payments made by the Mission; e.g., advance maintenance, cite the current year master account in effect for the period.

(b) The funding of certain ancillary costs, now provided in the modified standard rates, to a separate AID/W allottee is under consideration with respect to such costs which cannot be reasonably allocated to particular participants or classes of participants. When implemented, amounts therefor will not be provided in training funds allotted to Missions or AID/W program offices.

(4) Transition Procedures

(a) Costs of participant training based on standard rates in effect prior to July 1, 1976, continue to be accrued and liquidated against the training obligation without further adjustment as prescribed when the system was installed on July 1, 1973. Transfers to AID/W are in the amounts accrued and charged to the training project at the old rates until obligations are liquidated based on final accruals.

(b) Missions prepare separate workpaper schedules for (i) participants and training costs at standard rates prescribed prior to July 1, 1976, and (ii) participants and training costs based on the AID/W **issued** PIO/P's beginning July 1, 1976. The separate transfers based on these costs are identified on the relevant U-101's for the respective funds allotted to the Mission.

Documentation of transfers from AID/W program offices is effected in accord with internal operating instructions. **Issued** PIO/P's reflect user-specific costs, on an actual or factored basis, including determination of RSSA costs for participants by specific field of instruction or technical area.

3. Allocation of Costs to Non-AID Implemented Training

a. Self-Financed or Country-Financed Training

AID/W identifies the costs of AID/W administered training programs and activities which benefit self-financed or country-financed training on the basis of allocation criteria approved in accordance with AID policy. When authorized under a bilateral agreement or other mutually acceptable arrangement between AID and the host country, a fee for an allocable portion of these costs is assessed against the program(s) concerned. AID/W provides Missions with cost factors for use by the appropriate ministry or other responsible entity of the host country in developing the budget requirement for AID input to the country-financed training program.

b. Contractor Implemented Training

Costs of AID/W-administered training programs and activities and certain RSSA costs which benefit contractor-implemented participant training under AID training projects are identified by appropriate allocation criteria as in Section 10J3a. When provided in the AID budget process, a cost factor for these amounts is reflected in funds allocated for AID training carried out by contractors.

4. Training Under Country-Financed Services Agreements

a. Country-financed services (**CFS**) agreements provide for training if required as a component input to AID-implemented reimbursable projects. The need for training, like other inputs to the project, is identified and established during the process of project development by AID and the host country to assure achievement of the project objective. (**See Sections 10I2 and 10I4.**) Section 607 Determinations (**Delegation of Authority No. 99**) are addressed to reimbursable training as well as to other technical services defined by the scope of the project agreed to between AID and the host country.

b. CFS training is provided in accordance with the procedures applicable to AID-implemented participant training. (**See Handbook 10, Participant Training.**) Financial implementation is based on the Participant Training Cost System described in Section 10J2b. The PIO/P (**or PIPA when applied to training**) is used in the normal manner to document training implementation requirements. Training costs are based on actual costs and a miscellaneous cost factor, which comprise the modified standard rates applicable to the respective training categories set forth in Section 10J2b(1) and 10J2b(2). The responsible AID program office assures timely coordination with SER/IT to reflect these costs on the PIO/P for forwarding to SER/IT for final issuance and in the project budget estimate of the agreement. The latter also includes the appropriate overhead assessment shown in Attachment 10G.

c. CFS training is financed by the country advance (**or other financing method when specifically authorized**) in the same manner as other reimbursable project requirements established under the agreement. The amount provided for training is determined by the cost criteria of the Participant Training Cost System as shown in 10J2b(1) and Section 10J2b(2). The cost of training is accrued and charged to the project based on these rates as training progresses without further adjustment of the amount provided by the project for the cost of training. CFS

training funds included in the country advance are transferred from the AID trust fund account, in which deposited, to the AID/W Master Disbursing Account which disburses all costs of AID/W- implemented training for both development assistance and reimbursable projects in a uniform manner as prescribed by the Participant Training Cost System. (See also Section 10J2b(3).)

d. Reports on CFS training costs to the host country reflect the costs accrued over the life of the **project during the** period in which training takes place. Periodic accruals are established against the total amount provided in the project budget developed in accordance with the modified standard cost criteria in this Chapter, Section 10J and the appropriate overhead assessment.

e. The CFS project budget training estimate establishes the amount to be provided in the advance for training and the charges that will be ultimately accrued against the project as training ensues. Costs based on the modified standard rates reflect the final determinations made by SER/IT shown on the **issued PIO/P**; these amounts are confirmed by the responsible AID/W program office with SER/IT before release of the final project budget estimate for acceptance by the host country, including the overhead assessment.

(1) CFS training costs are classified as **direct** and **indirect** in the project budget estimate (**see Attachment 10G**). The former are the amounts based on the user-specific or user-benefit criteria applicable to AID-implemented training shown on the **issued PIO/P**. The latter reflect an allocation of AID/W operating expenses attributable on an incremental basis for the benefit of the reimbursable project. (**See Attachment 10H for AID policy and criteria for assessing overhead on CFS projects.**)

(2) Overhead (**indirect**) costs of training under CFS projects are assessed at stated dollar amounts per person/month of training for academic and nonacademic training, respectively, when AID implements training under the operating agreement with the host country. When training or backstopping services are provided by a contractor or under a Resources Support Service Agreement (**RSSA**) with another USG agency, AID considers the charges imposed by the contractor or other agency as a direct cost and applies an overhead rate commensurate with the services provided by AID.

(3) Detailed guidance on developing project budget estimates and cost factors are further provided in Section 10I4d. AID input from AID/W-administered training programs and activities is budgeted in accordance with Section 10J3a.

5. Operating Characteristics of AID Implemented Training

a. Grant and Loan Funded Training

The concept of user-specific or user-benefit costs provided in the modified standard rates in Section 10J2b above apply to both loan and grant funded development projects. Accruals for AID/W-funded loan projects are transferred by Missions on the U-101's for the applicable development loan account in accordance with existing procedures. (**See also detailed operating instructions in the Mission Controller Guidebook.**)

b. Use of PIO/P's

AID/W does not maintain costs by individual PIO/P's or individual participants under the modified cost system. Reports on training costs by PIO/P's (**or PIPA's when applied to training**) continue in use as

implementation documents in accordance with AID criteria and controls specified as an integral part of the Project Accounting Information System (PAIS) (**see Chapter 8, Section 8E of this Handbook**) for earmarking and tracking the drawdown of funds for project assistance. Further detailed operating instructions on project accounting are provided in the Mission Controller Guidebook.

c. Costs Incurred for Participant Training

Actual costs of training are reflected in the AID/W Master Disbursing Account, the central account which is used to disburse these costs. No adjustments for differences between AID/W disbursements and the modified standard rates are made to Mission or AID/W program funds for training obligations liquidated by accruals as a basis for transfers to AID/W. AID/W monitors actual costs disbursed from the central account. As required, cost factors comprising the modified rates are updated and refined at timely intervals to assure that variances from actual are at a minimum level. (**See Section 10J6c.**)

d. Measurement of Person/Months of Training

(1) Person/months of training for AID-financed development projects (**as well as CFS training**) commence upon departure of the participant from his/her home country and continues until training is completed or terminated and the participant leaves the United States to return to country of origin or other country of training. The training period extends over the entire time span in which any financial support is provided by AID to an individual in a bona fide participant status. Dropout from or termination of training before completion of training brings such status to an end. (**See also Handbook 10.**)

(2) Training at an academic institution is not necessarily related to the number of semesters, trimesters, or quarters normally identified with the duration of specific courses of study. Person/months of academic training also include all nonacademic activity, such as supplemental training provided through SER/IT or allowable nontraining time such as holidays. Academic training for a particular degree objective is also effected by the individual participant's experience, capability, and related background factors.

e. Termination of Training

(1) If training is terminated or canceled after quarterly accruals are established and funds transferred to AID/W, no adjustment is made to the underlying PIO/P or the amount liquidated against funds obligated for training by Missions or AID/W offices.

(2) If training is canceled before the participant departs from his/her home country and before training commences, in accordance with the standard in 10J5d, funds obligated based on the **issued** PIO/P are deobligated and the underlying PIO/P canceled.

(3) If training is canceled before receipt from AID/W of the **issued** PIO/P and before departure of the participant for the commencement of training, AID/W is notified and the draft PIO/P is rescinded. No adjustment of training funds is required as obligations were not recorded during the pendency of AID/W clearance of the PIO/P and final cost determinations.

f. Extension of Training

If the extension of training increases the amount shown on the **issued** PIO/P, an increase in the cost of training is estimated by the

Mission or AID/W program office based on the factors set forth in Section 10J2b(2). The increase is documented by an amended PIO/P where the training project is funded for the life of the project; or by a new PIO/P if the training project is incrementally funded. (**See also Handbook 2 on forward funding criteria.**) When the final costs are determined, the additional amount is accrued over the extended period of training upon receipt of the **issued** PIO/P (**amended or new**) against the increase in the obligation and funds transferred to AID/W in the manner described in Section 10J2b(3).

g. Block and Regional Grants

For grantees under AID block or regional grants who use the services of AID/W in carrying out the training component of grant assistance, in accordance with the procedures for AID development projects, the requirements for (1) use of modified standard rates, (2) processing of comparable implementation documents, (3) accrual of charges against grant funds, and (4) transfer of funds to AID/W are equally applicable.

h. Amounts Due from Participants or Host Country

(1) Overpayments to Participants

Amounts due from participants as a result of overpayments or erroneous payments are billed by AID/W. Collection is pursued with the participant prior to departure to the participant's home country upon completion or other termination of training. If the Mission is requested to assist in effecting collection, AID/W furnishes a form AID 7-129, Bill for Collection, to the Mission for this purpose. The Bill for Collection cites the AID/W Master Disbursing Account to be credited. Mission collection is reported by Advice of Charge (**Credit**). (**See also Chapter 7 of this Handbook.**) No adjustment is made against previous Mission transfers to AID/W or prior Mission liquidations based on accruals for training. Unless directed by AID/W, Missions do not initiate billings to participants.

(2) Amounts Due from Host Country

Where the terms and conditions of the bilateral training project are not met, due to the participant's failure to return to his/her home country upon completion of training or other nonperformance, AID will pursue recovery from the host country of the funds and other resources utilized in providing training as provided by existing policy. The Bill for Collection, or the equivalent, is issued by the Mission to the host country based on the cost of training financed by AID as reflected on the PIO/P covering the participant concerned. The collection is credited to the central AID/W disbursing account and reported by Advice of Charge (**Credit**) to AID/W.

6. AID/W Controls and Reports

a. Disbursing

All participant training requirements under Mission, AID/W, and loan projects are paid from the AID/W Master Disbursing Account. The bulk of disbursements is scheduled at AID/W in accordance with the objective of the Participant Training Cost System of simplifying disbursing accountability and reducing the transfer of charges between AID/W and Missions to the maximum practical extent. A limited number of disbursements may be made in the field, such as initial advance and final maintenance payments, against the Master Disbursing Account. The account is established under a prior year symbol in order to permit

timely payments before Congressional action on current year appropriation authority; for example, the allotment symbol for the Master Disbursing Account for FY 1977 is 425-85-099-00-94-73.

b. Country and Appropriation Controls

(1) Mission transfers to AID/W based on participant training accruals are reported on the U-101 Reports and reflected in the country segment of the Appropriation Allotment Report (**Report Control Symbol W-211**) as disbursements, decreasing the unliquidated balance of the Mission allotments.

(2) The allotment segment of the Appropriation Allotment Report (**Report Control Symbol W-211a**) reflects participant training transfers at the appropriation level as credits to pseudo allotments. The credits are reduced by the distribution of disbursements made from the AID/W Master Disbursing Account. The pseudo allotment credit balances in the W-211a report offset participant training accruals charged to regular allotments (**Mission or AID/W program offices**), thereby effecting agreement with net Expended Funds for each appropriation in the central general ledger controls maintained at AID/W.

c. Review, Monitoring, Follow-up, and Reports

(1) The official accounts maintained at AID/W on participant training disbursements establish the actual cost of AID-implemented training. Input from payment documents is made by category of training, technical area or field of training, and type of costs. Review, monitoring, and analysis of training costs, based on payment activity and person/months of training from SER/IT program statistics, are ongoing functions of SER/FM. Operational responsibility is carried out by the Central Services Division, FM/CSD.

(2) The payment data from the AID/W accounts are reviewed, analyzed and interpreted as to the incidence and causes of variances between actual costs and the costs shown on **issued** PIO/P's under both the standard rates in effect prior to July 1, 1976, and the modified standard rates in effect beginning July 1, 1976, based on final calculations made by SER/IT as described in Section 10J2b(2)(c).

(3) Periodic reports of the results of the review and analysis of participant training costs versus standards are furnished to the AID Controller. The reports are prepared quarterly or at greater frequencies to meet specific program, planning, and budget requirements of AID/W. The report format is prescribed by SER/FM internal operating instructions and provides information on both the cash operating instructions and provides information on both the cash flow status of the Participant Training Cost System and variances.

(a) **Cash Flow Status** - This information is used in monitoring and assessing the cash needs of the Participant Training Cost System against the credits transferred from Mission and AID/W projects. For each fiscal year cumulative credits are compared against cumulative disbursements from AID/W Master Disbursing Account distributed monthly against such credits. When directed by the AID Controller, credit balances which exceed the needs of the participant training program are adjusted downward and the unobligated balance at the appropriation level increased in an equivalent amount. The credit reversal (**downward adjustment**) is documented in accordance with SER/FM procedures.

(b) **Component Costs** - Comparative data on actual costs

and amounts shown on **issued** PIO/P's are provided for the needs of program administrators and managers, including the AID Controller, SER/IT, PPC, and other AID/W program elements. The information is inclusive of data such as:

1. Analysis of component costs against the factors used in computing the amounts charged to program funds (**tuition, maintenance, RSSA's, complementary and ancillary activities**);

2. Range of RSSA costs among USG agencies by participant or person/months of training;

3. Exceptional changes during the reporting period in cost factors for which provision was not made in the rates used in accruing the cost of training as, for example, an increase in participant maintenance allowances;

4. Pending changes in contract services for SER/IT managed activities which benefit participants;

5. Changes in university tuition or other training fees, actual or prospective, not reflected in the costs accrued against program funds;

6. RSSA negotiations that impact on USG agency program support factors reflected in the amounts actually charged (**accrued**) against training projects.

The financial aspects of the participant training program are reported by the responsible operating Division, SER/FM/CSD, as specified in SER/FM internal operating instructions for guidance in meeting these reporting objectives. Report distribution is determined by the AID Controller.

10K. Non-Project Assistance - Commodity Arrival and Disposition Requirements

1. General

- a. Commodity arrival and disposition requirements are set forth in Handbook 15, **AID-Financed Commodities**, Chapter 12. Objectives of these requirements are achieved by a system which provides reasonable assurance that commodities authorized by the borrower/grantee for AID financing arrive and enter the economy of the cooperating country through release from Customs to the importer. Under this system the borrower/grantee is required to maintain adequate records needed to document the arrival and disposition in the cooperating country of all commodities financed by AID. These records will identify the importer and include tally records on short shipments, landings, and releases for a period of three (3) years following the date of payment or reimbursement by AID. Missions evaluate the system based on established criteria and monitor its performance.

- b. If the USAID determines that the cooperating country's practices are inadequate to provide reasonable assurance of the arrival and disposition of AID-financed commodities or that it is otherwise advisable, the USAID shall then select, establish, and maintain a supplementary manual or automated system to provide such assurance based on a determination of documentation requirements. A description of the system so installed shall be forwarded to the Offices of Financial Management and Commodity Management, AID/W.

- (1) The system outlined in Attachment 10Q may be used as a guide in establishing the Mission system.

(2) When there is a sizable program, the use of an automated records system by the borrower/grantee or the Mission is encouraged. Specific input and output documentation and processing procedures must be developed to fit the particular situation. Judicious selection of data for an automated system not only provides for compilations such as those from a manual system, but also permits manipulation of data to obtain different outputs such as commodity within importer, or importer within commodity at the intransit, in customs, or released-from-customs stage. An automated system can also provide for monitoring importers, terminal dates, ineligible commodities, suppliers, etc. The borrower/grantee's automated system need not be restricted to AID Commodity Non-project Assistance, but may also encompass P.L. 480 shipments and free foreign exchange shipments, i.e., the total country import programs.

c. Related commodity arrival and disposition activities encompass end-use and port check inspections as set forth in Handbook 15, Chapter 12. These activities are employed as integral steps to audit the adequacy of non-project assistance management operations. The performance of these related activities provides further means for continued evaluation of the adequacy of program operations.

2. Commodity and Financial Records and Reports - Missions and AID/W

a. The commodity arrival and disposition system established for each participating country is to have the ability to trace AID-financed shipments from the agreement stage through borrower/grantee authorization, shipment, arrival in and release from Customs, and acceptance by the importer in detail or summary form. The system transactions are supported by prescribed basic documentation pertaining to each agreement, and the related arrival and disposition system for each participating country. A common denominator, usually a number assigned to authorizations, letter of credit, or other documents, is used to identify individual transactions flowing through the system. Missions maintain control records covering commodity arrival and disposition transactions of each borrower/grantee. These controls may be in the form of reports on transactions by the borrower/grantee and bankers. The reliability of these data and of the arrival system are subject to Mission monitoring and audit by the AAG.

b. Each month AID/W prepares **AID Non-Project Assistance Transaction Detail of Loan and Grant Activity (By AID Authorization Number), Report No. W-214**, reflecting transactions on nonproject assistance activities obligations, disbursing authorizations, and expenditures at disbursing authorization level. These data are the basis for AID/W (**SER/FM**) entries to obligations and expenditures control accounts. Report W-214 is distributed to designated units at AID/W and the Missions concerned. Missions use Report W-214 to validate accuracy of their accounting control records and the status of loans/grants under agreements in effect.

c. Each month AID/W (**SER/FM**) prepares **Commodity Services Report** which included shipping/commodity identification detail formerly includes in the **Intransit Listing**. This report is distributed to AID/W (**SER/COM**); pertinent parts of the report relating to individual country transactions are sent to the Mission(s) concerned. Missions use these reports to validate the accuracy of their arrival and disposition control records.

d. Annually, AID/W (**SER/FM**) prepares a summary of disbursements as seven digit Schedule B Commodity Code level within obligation via **Report W-501, Program Assistance Commodity Expenditures, Analysis by Agreement**. This report is for AID/W use only.

e. Annually, AID/W (**SER/FM**) prepares disbursement data summarized at seven digit Schedule B Commodity Code level within each country via **Report W-502, Program Assistance Commodity Expenditures Analysis Regional Summaries**. This report is for AID/W use only.

f. Annually, AID/W (**FM**), prepares disbursement data summarized at seven-digit Schedule B Commodity Code level within each region via **Report W-503, Program Assistance Commodity Expenditure Analysis World-Wide Summary**. This report is for AID/W use only.

10L. Special Development Assistance -- Self Help Programs in Africa

1. Purpose of the Self-Help Program

a. The overall purpose of the self-help program is to demonstrate U.S. interest in the welfare and self-help endeavors of local communities in the less developed countries (**LDC's**). The self-help program is designed primarily to provide a means of extending limited assistance directly to local communities rather than government-to-government assistance, by support for increased local participation in small development activities.

b. The self-help program provides an administrative mechanism within which the Principal U.S. Diplomatic Officer of authorized countries (**currently limited to Africa under existing AID policy and legislative authority**) may respond quickly and without regard to the comprehensive or sectoral strategies of regular bilateral assistance programs.

c. The self-help program is not intended or designed to supplant technical assistance programs in those countries in which AID does not have bilateral assistance programs. Therefore, self-help funds may not be used to continue any projects begun under regular technical assistance bilateral programs or used to initiate such projects.

2. Authority and Responsibility

a. Self-help projects are authorized by and must be conducted within the terms of subsection 211(a) of the Foreign Assistance Act of 1961, as amended. The scope and purpose of the Special Development Activity Authority, general guidelines on its administration, and criteria and limitations on selection of self-help activities are provided in Handbook 3, Project Assistance, Chapter 6. Special Procurement authorities and requirements are provided in Section 10L4 below.

b. Responsibility for the administration of self-help projects is vested in the Principal U.S. Diplomatic Officer of each authorized country pursuant to redelegation of authority by the AID Assistant Administrator, Bureau for Africa (**AIDTO Circular XA-549, dated November 28, 1964**) to use up to a specified amount in any given fiscal year for self-help projects. Individual activities which meet the criteria set forth herein and cost \$25,000 or less may be undertaken without recourse to AID/W, provided that total costs do not exceed the authorized amount for country use. Activity proposals which exceed \$25,000 in cost or are marginal with regard to criteria, but nevertheless warrant consideration, may be submitted to AID/W with sufficient justification for review on a case-by-case basis. FY 1978 and subsequent fiscal years Self-help projects are funded from various USAID allotments using purpose code 75. Self-help projects for population assistance and Human Rights activities are also funded from USAID allotments using purpose code 75. (**See Section 10L5i(1) below.**)

c. The selection, documentation, reporting and accounting of self-help activities is usually conducted by regular Embassy staff since self-help funds or other AID funds may not be used to finance any

administrative costs or overhead of these activities. While AID personnel are located in most of these countries, self-help responsibilities may not be delegated to AID personnel without prior authorization from AID/W. The assignment of AID personnel to any of these countries will be in connection with regional programs or other matters which are not related to self-help activities.

3. Self-Help Documentation and Reports

a. Self-help activities may be undertaken without the complexities of sectoral or comprehensive programming necessitated by regular technical assistance programs. The system prescribed in Handbook 3, Project Assistance, on documentation of project analysis, preparation, review and approval need not be applied to self-help projects. See also the Self-Help Operations Manual, dated February 17, 1972, specifying simplification and reduction of documentation and procedures, and related program reporting requirements.

b. The self-help program is still subject to the legislative and regulatory requirements governing practices and use of funds under the U.S. Foreign Assistance Act. For these reasons, as well as to enhance good management and sound practices, certain minimum administrative requirements are imposed on the self-help program as set forth below.

(1) General Agreement for Special Development Assistance

(a) This document, Attachment 10K, is a mutual agreement between the United States and the cooperating government which sets forth the framework of essential terms and conditions within which self-help activities may be undertaken. The General Agreement neither makes any commitment to undertake self-help activities nor does it obligate any funds. However, it is an essential document which constitutes the cooperating government's authorization for the United States to finance self-help activities and provides the terms of reference. This is a one-time document which remains in effect until terminated by 30 days' notice from either the United States or the cooperating government.

(b) A General Self-Help Agreement corresponding to Attachment 10K must be in effect between the United States and the cooperating country permitting financing of self-help activities in that country. Pending execution of a General Agreement, or in the absence of a General Agreement, cooperating-government approval on each Individual Activity Agreement (IAA) Section 3b(2) below, must be obtained. Embassies which are still conducting self-help activities within the terms of former AID bilateral Agreements or an exchange of letters must formally execute a General Self-Help Agreement. The Embassy, the USAID accounting station, and the cooperating country each are to retain one copy and two copies are to be addressed to AID/W, AFR/DP, for distribution to AFR/DP; and State AF/EPS. If the General Agreement encompasses population assistance or human rights activities, an additional copy is included for distribution by AFR/DP to the appropriate office. Embassies already conducting self-help activities, under the type of agreement set forth as Exhibit I of the Self-Help Operations Manual issued in October 1968, need only submit two copies of their Agreement. Special Provisions contained in the General Agreement will be repeated and become a part of each IAA, as the Standard Provisions for Special Development Assistance Activities financed from United States funds.

(2) Individual Activity Agreement (IAA)

(a) Functions

The IAA, Attachment 10L, is an important basic document underlying the implementation of the self-help program and must be executed for **each** self-help activity. The IAA serves two primary functions:

1. The IAA is an agreement between the U.S. Government and a local community (**e.g., a village council**), an institution (**e.g., a government ministry**), etc., to undertake a specific activity.

As such, the IAA sets forth a brief description of the activity, the commitment of each party and the name and title of the activity supervisor. These matters are set forth synoptically and, wherever possible, the IAA is held to a single page, including signatures. The Standard Provisions for Special Development Assistance Activities, Attachment 10L, page 2, becomes a part of the IAA in all instances. IAA's involving detailed commitments and inputs may incorporate these details in an additional attachment to the IAA, if necessary.

2. The IAA functions as the primary instrument through which self-help funds may be obligated and committed to a self-help activity. As such, the IAA must specify the exact amount of funds to be obligated and include the fiscal data specified in 10L5 below. As a minimum, the specific data contained in Attachment 10L must be included. These specific data include, but are not limited to:

a. - A brief description of activity

b. - The name of the official or the organization which will monitor activity implementation.

c. - The amount of financing, expressed in dollars, which the U.S. Government will provide.

d. - The date on which implementation is expected to begin.

e. - The terminal date for issuance of implementing (**action**) documents such as purchase orders, contracts, requisitions, etc. (**Note: This date can be no later than 1 month after the date of the IAA.**)

f. - An agreement that the U.S. Government financing will be canceled for items on which implementing documents have not been issued within 1 month of the date of the IAA. See Attachment 10L Standards Provisions, Item D, page 2. This time limit must be strictly adhered to.

(b) Format and Execution

Attachment 10L sets forth a suggested IAA format containing certain basic elements that must be included in each IAA. In addition to the signature of the Principal U.S. Diplomatic Officer, signatures and clearances required on each IAA vary from country to country, depending on the cooperating government. As far as AID/W is concerned, an IAA bearing the signature of the Principal U.S. Diplomatic Officer, or his designee, and the signature of an authorized representative of the

implementing agent (**town council, school, government ministry, etc.**) suffices to constitute a legal obligation of U.S. funds. However, in many countries the cooperating government may require case-by-case clearance or authorization at an appropriate ministerial, or equivalent, level of the government.

(c) Distribution

The IAA is executed in a sufficient number of signed copies to permit distribution of the minimum number of copies to the following:

U.S. Embassy - Self-Help Activity File Implementing agency - For use in assuring prompt implementation in accordance with the agreement

Cooperating government - When conditions warrant

Embassy or USAID Accounting Station - As support of the official accounting records (**attached to the Monthly Memorandum Obligation Record**)

AFR/DP - For future programming reference

AF/EPS - For State Department reference

DS/POP - For population assistance self-help activities.

(3) Individual Activity Completion Notification (IACN)

Effective July 1, 1971, the only requirement for an IACN is a simple written notification from the implementing agent or activity supervisor indicating that the activity has been completed and the extent to which the activity's purpose was fulfilled. This notification is to be filed with the IAA in the Embassy and is not to be submitted to AID/W. In those cases when the implementing agent or activity supervisor fails to provide such notification, the responsible U.S. official himself is to provide a memo to the file stating these circumstances and indicating completion of the activity on the basis of whatever information is available (**e.g., a visit to the activity by a U.S. official, etc.**). The purpose of the IACN is to provide a basis for the annual summary report, Section 10L3b(4) below, and to provide a record of the use of funds.

(4) Annual Summary of Self-Help Activities

The only program report which is submitted to AID/W and the Department of State is the Annual Special Development Activity Self-Help Summary Report, Report Control Symbol U-1323/1 (**AFR**). The report summarizes self-help activities of each fiscal year and is submitted by memorandum for receipt at AID/W by October 31. The memorandum report is addressed to the attention of AFR/DP, and State AF/EPS. If population assistance self-help activities are also summarized, the report includes DS/POP as an additional AID/W addressee of interest. This report includes for each activity, the IAA number and title, an estimate of the number of people benefited, the amount of U.S. financing, the recipient's self-help input, and a one-or-two-sentence description of the activity. The report provides AID/W and the Department with an accounting of activities in such a form that it can be used for both program and Congressional presentation requirements. Although not required, Embassies are encouraged to submit write-ups along with photographs in the case of activities which were particularly interesting or successful.

4. Special Procurement Authorities and Requirements

a. Special Authorities

(1) Self-help activities are exempt from procurement source requirements except in the case of vehicles and commodities having their source and origin in Southern Rhodesia or non-Free World Countries. See also Handbook 15, **AID-Financed Commodities**, Chapter 2A.

(2) The Principal U.S. Diplomatic Officer is authorized to waive the Small Business Notification procedure for U.S. purchases of \$5,000 or more. A copy of such waiver is filed in the post's Self-Help Activity folder. The Small Business Notification requirement does not apply to U.S. purchases of less than \$5,000 or non-U.S. purchases of any amount. (See also Handbook 15, **AID-Financed Commodities**, Chapter 6, and Handbook 14, **Procurement Regulations**, Chapters 7-6.)

b. Procurement Documentation

Given the nature of self-help activities, self-help funds are spent usually to purchase common goods and services which are available locally. For such procurement, standard purchase orders normally executed by the post are to be used; i.e., form FS-455 (**Purchase Order, Receiving Report & Voucher**), SF 147 (**order for Supplies or Services**), etc. (See Attachment 10M.)

c. Marking Requirements

Self-help activities are subject to the marking requirements of Handbook 15, Chapter 21. As such, AID decals usually are required on all equipment and commodities financed with self-help funds. Given the nature and purpose of self-help activities, however, marking requirements are to be applied with discretion. To insist that an AID sign or plaque be placed on a structure in which the U.S. input was relatively small compared with the total cost or when appearance of emblems would produce antagonistic or derisive reaction could nullify the good will generated by the U.S. contribution. In another case, however, the Embassy may have financed a number of typewriters in which case AID decals should be affixed. If the Embassy is in doubt regarding a particular case, AID/W is to be consulted.

5. Fiscal Accounting and Reporting

a. Obligational Authority

The Assistant Administrator, Bureau for Africa, or his designee, advises each post Ambassador of the funding limitations established for the incurrence of individual obligations in each fiscal year. Timely issuance of advices of limitation authority to the posts is an operating function of USAIDs and Embassies in coordination with the AID/W allottee. For population assistance self-help projects, this function is coordinated with both the AID/W allottee, AA/DS, and the Bureau for Africa. Within established funding limitations, IAA's may be signed obligating funds without further verification beyond Post allotment accounting Records as to fund availability. The Principal Diplomatic Officer (*i.e.*, **Ambassador**) or his designee may sign obligating IAA's based on the Delegation of Obligating Authority from Assistant Administrator, Bureau for Africa, Section 10L2b above.

b. Official Accounting

For FY 78 and subsequent fiscal years, the official accounting for

self-help funds is located in the Embassies or at a USAID field accounting station. Allotment and project accounting records are maintained to meet regulatory accounting and reporting needs. For FY 1977 and prior years, the official accounting station is located in FM/PAD, AID/W, encompassing only the residual self-help allotments.

The FY 1980 allotment structure is XXX-59-cty-00-75-XX

(1) the applicable funding appropriation code replaces the three Xs in the 1st segment above;

(2) the benefiting country code replaces **cty** in the 3rd segment above;

(3) the proper fiscal year designation replaces the two X's in the last segment of the above allotment symbol. (**01 for FY 80**) (**See Handbook 18, Appendix D.**)

Normally, the allotment/project accounting functions are performed by the Embassy budget and finance office located in the benefiting country. When this is not feasible, the USAID or Regional USAID Controller's office prepares the monthly U-101 SALT Reports and the quarterly U-750/3 Project Financial Activity Quarterly Report (**form AID 750-10**), based on fiscal documentation submitted by the appropriate embassy officials. The USAID accounting station provides a field location to which the embassy staff can supply the necessary fiscal documentation needed to meet the requirements of P.L. 663, Section 1311. USAID Controllers have the responsibility to provide an accounting service for the self-help allotments and projects when it is determined that the embassy staff cannot perform this accounting function.

USAID Controllers are required to obtain the signature of an embassy official attesting to the validity of self help obligations annually. This certification can be in the form of a memorandum report showing the cumulative balances as shown in the USAID accounting station's U-101 Report for self help activities.

c. Project Number

A single project number is assigned to each country in accordance with Handbook 3, Appendix 6B. The establishment of the project number is coordinated by AFR/DP and State AF with the post to assure adherence to the AID numbering system. The FY 1980 and subsequent fiscal years' project number is composed of a three-digit country code and a four-digit sequential serial number. For example, the 17th Senegal Special Self-Help project number is written 685-9917. For all self help categories, only a single project number covering self-help activity is assigned per examples below:

Cty	Sequential	Title
XXX-	99XX	Special Self-Help Development
XXX-	98XX	Human Rights Fund
XXX-	97XX	Population Self-Help Fund

d. Individual Activity Agreement Number - Obligating Funds

(1) Obligating Document

Documentation for obligating funds, the IAA, must contain the basic elements as described in Section 10L3b(2) above. (**See also Attachment 10L.**) Since the IAA is essentially a subproject within the general Self-Help Project for each country, it is essential to

assure proper identification of each activity. Full accounting information must be included in each IAA executed in addition to the other pertinent data.

(2) Individual Activity Agreement - Obligation Number System

Each activity financed with self-help funds is assigned a serial control number that will identify the fiscal year in which the activity is financed, the three-digit country code, and a sequential IAA control number assigned from 01 through 99 executed during the fiscal year. For example, Number 8685090 would be assigned to the ninth IAA for Senegal during Fiscal Year 1978. The suggested USAID system of numbering is as follows:

Fiscal Year Indicator (i.e., 8 for 1978; 9 for 1979; etc.)_____	9
Country Code per HB 18, Attachment to Appendix D (Code 685 for Senegal)_____	685
Sequential Control Number Assigned by Post to Each IAA Issued During the Fiscal Year (i.e., 01 thru 99) _____	09
All IAA Obligation Numbers End With Zero (0) for those FY 1977 and prior obligations liquidated in AID/W. USAIDs and Embassies will utilize this digit based on local requirements._	0

e. Implementation (Action) Documents

(1) Preparation and Purpose

Although the IAA obligates funds for an activity, it is essential that purchase orders, contracts, requisitions, etc., be issued to implement the activity. (See Attachment 10M.) Normally, such implementation documents are prepared for release when the IAA is signed.

(2) Delayed Issuance

To accommodate those cases when implementation documents are not ready for release immediately, a period of up to 1 month's delay may be written into the IAA. When such a delay is permitted, the Principal U.S. Diplomatic Officer must assure that all provisions of the IAA are monitored closely to preclude embarrassment which could result in connection with such activities.

(3) Implementation Document Number

Implementation documents must be issued to carry out the provisions of each IAA. Usually not more than four documents are utilized. A numbering system is prescribed to easily identify the implementation documents with the related IAA and provide for the systematic grouping of such documents for accounting control. The implementation document number is the same as the IAA number, except it contains an alphabetical suffix; e.g., 8685090-A, 8685090-B.

f. Activity Implementation Record

(1) Upon the execution of an IAA, an Activity Implementation

Record, Attachment 10N, is established and filed in the Embassy Project Activity folder. This record is subsidiary to the Memorandum Obligation Record (MOR), Section 10L5g below, and provides the detail on procurement and related implementation actions by IAA as a separate control.

(2) Initially the Activity Implementation Record shows the IAA number, project title, amount obligated, date of obligation, and the date on which the last implementation documents must be issued.

(3) As implementation documents are completed they are recorded in this record showing the date of issuance, assigned document control number, dollar amount of the document, and a computed balance of the obligation remaining to be implemented. A brief note as to the purpose of the implementation document may be included, when appropriate.

(4) This record is used also to reflect adjustments for the cost of items which may change as the result of price changes or fluctuation in exchange rates, when no formal amendments to original orders or procurement documents are necessary.

(5) Entries to this record are the same as the entries recorded in the Memorandum Obligation Record, Attachment 10-O.

g. Memorandum Obligation Record (MOR) - Current-Year Funds

(1) Entries to the official accounts maintained at the field accounting station are based on the MOR Attachment 10-O, and the attached copies of each IAA obligation.

(2) A single copy of the MOR, with a copy of each IAA are mailed immediately following the close of business for each month to the appropriate Embassy B&F office and/or USAID Accounting Station performing the fiscal accounting service required by the allottee.

(3) The MOR is reproduced by each post on letter-size paper. Since certain parts of the MOR remain the same each reporting period, repetitive data may also be preprinted on the form. These data include the country name, project number, and the applicable allotment symbols (**excluding the fiscal year indicator in the first and last segments**) for population assistance and non-population assistance self-help projects, i.e., allotments 944-XX-CTY-00-75-91 and 946-XX-CTY-00-75-91, respectively.

(4) The Embassy administrative officer at each post usually has the responsibility for maintaining the MOR and forwarding it to the appropriate field USAID or Embassy Accounting Station with supporting documents, immediately following the close of business for each month.

(5) The MOR is designed to serve the following purposes:

(a) As a control record to assure that obligations which are in excess of the available balance of obligational authority established as provided in Section 10L5a above are not signed.

(b) As a transmittal letter for submitting copies of IAA obligation documents to the official field accounting station.

(c) As a reminder and check to assure that implementation action is taken when total obligations and total implemented are not equal.

(d) As a means of adjusting obligations **upward** or **downward** when the actual cost is at variance with the original obligation.

(e) To reconcile the official accounting reports and IAA records maintained at post.

h. Memorandum Obligation Record (MOR) - Prior-Year Funds

(1) For record purposes and to assure that prior fiscal-year obligations are adjusted **upward** or **downward** in line with the actual expenditures, the MOR also is prepared when activity affecting prior-year obligations occurs during the month. It is not necessary to prepare a MOR for prior fiscal-year funds unless there is activity during the month affecting these obligations. The only time a document needs to be attached to the prior-year MOR is when an amendment to an IAA is issued. Adjustments necessary when actual costs exceed the amount obligated are covered by either a deobligation of funds which were obligated in the same fiscal year or from the current-year allotment. Therefore, it is essential that sufficient funds be obligated initially to cover the expected U.S. financing to be required.

(2) If prior year (**FY 1977 and prior**) deobligations are not adequate or available to cover cost overruns or other upward adjustments of prior year procurement actions (**not involving change in scope or purpose**), the post requests AID/W, FM/PAD for authority to increase the amount of the underlying IAA as a charge against the limitation from current year funds. FM/PAD ascertains availability for this purpose from the official accounts and coordinates with AFR/DP and DS/POP advice to the post of the increase of the IAA in an appropriate amount. Increases and offsetting decreases in IAA's, with unutilized balances after project completion, are subject to the limitation authority (**and increments if issued**) established for the post's current year self-help program, Section 10L5a above. USAID or Embassy accounting stations are responsible for rendering the above information on prior year deobligations applicable to FY 1978 and subsequent fiscal years' allotments.

i. Allotment Accounting

(1) FM/PAD maintains FY 1977 and prior years allotment accounts for the single allotment of funds made to the Assistant Administrator, Bureau for Africa, for non-population self-help activity. For the population self-help program, a separate allotment account is maintained for funds allotted to the Assistant Administrator, Bureau for Population and Humanitarian Assistance. (**See Section 10L2b above.**) Input to these accounts is based on monthly MOR reports with supporting IAA's submitted by each post.

(2) The FY 1977 and prior allotment accounts group the obligations by post, based on the obligation number and fiscal year.

(3) Effective with FY 1978 and subsequent fiscal years, the Embassy Budget and Finance Office or the appropriate USAID Controller accounting station as shown in the (**AID form 7-158**) Advice of Allotment (**prepared by AFR/DP**) maintains the official allotment accounts applicable to self-help funds identified by the use of purpose code **75** in the allotment symbol (**xxx-59-cty-00-75-xx**). The benefiting country is inserted as appropriate in the place of **cty**. (**See Handbook 18, Appendix D.**)

(4) The allotment accounts provide the data for Agency internal and external reporting requirements.

j. Project Accounting

(1) Agency Requirements

Funds used for self-help activities, which are encompassed under AID's technical assistance program, are subject to project accounting as an integral element of control in the Agency's financial management operations. (See also Handbook 19, Chapters 8 and 9.)

(2) Single Project/Multiple Activities

A single self-help project is established for each country. Numerous activities, for which funds are obligated by individual IAA's, are undertaken within the country for non-population assistance self-help activities. Another AID/W project is established for inter-regional population self-help projects and a third for human rights activities. A special numbering system is prescribed in Section 10L5d(2) for use in controlling and identifying each IAA. These documents are summarized by country in the Agency's project accounting system for which input is derived from USAID allotment accounts. Input to the latter is provided by the Embassy from MOR's and attached IAA's submitted by the posts. Project reports at the summary level are furnished to the posts and reconciled by the appropriate field accounting station based on post review and reconciliation of accounting information on unliquidated obligations furnished for this purpose from the official accounts as provided in Section 10L5j(3) below.

(3) Post Reconciliation - Report on Trial Balance of Unliquidated Obligations by Project

(a) Copy to Post

FM/PAD as appropriate for FY 1977 and prior fiscal years forwards the monthly Report on Trial Balance of prior year Unliquidated Obligations by Project, Attachment 10P, to the post following the closing of each month's accounts. The Official having responsibility for preparing the MOR, Attachment E, as prescribed in Section 10L5g above, reviews immediately the trial balance following receipt.

(b) Post Action

The trial balance is checked against the MOR maintained at the post to assure that all prior year obligations have been recorded correctly to the official FM/PAD accounts. The IAA document numbers and monetary amounts are to be identical with the post records. The only exception will be in those cases when expenditures are processed directly to FM/PAD from another paying post (e.g., RFC Paris or purchases in the United States paid directly), or when the exchange rate has changed between the date of the obligation and the date of the expenditure). These differences are adjusted when the differences become known. Post review assures that unliquidated balances of IAA obligations are valid and represent bona fide plans and actions to be carried out under each IAA for ongoing currently effective self-help activities and projects. Post review is performed as a continuing phase of the verification process prescribed by Section 1311 criteria. (See also Handbook 19, Chapter 1.)

(c) Adjusting Erroneous Records

Any corrections or adjustments necessary to assure the

accurate and correct statement of the FY 77 and prior year self-help accounts are to be directed immediately to FM/PAD for timely input to the official accounts. It is of utmost importance that these submissions be made promptly to FM/PAD and/or AF/EPS to assure that accountability for AID self-help funds are fully, adequately and timely reflected in the official accounts from which reports for AID management and central fiscal agencies and other outside authorities are prepared.

(4) Fiscal Field Accounting Station Action

For FY 1978 and subsequent fiscal years the appropriate Embassy or USAID field accounting station receives a quarterly project report from AID/W, FM/CAD. Balances are verified and maintained by the field in accordance with requirements of Handbook 19, Chapter 9, Section F.

k. Self Help Program in Africa - Flash Report of Obligations (Report Control Symbol U-1323/2) and U-102 (Flash Report of Obligations and Disbursements)

(1) Due Date/Purpose

A flash report of obligations is due in AID/W on the first working day of each month. The purpose of this flash report is to assure that Agency financial reports contain current information as to the obligations which have been incurred. This flash report is used to capture obligations incurred in financial reports.

(2) Flash Report Format

The flash report, U-1323/2, itemizes each obligation issued and its amount for the month reported. Cumulative obligations are also reported. The format follows:

Subject: FY 1977 and Prior Self-Help Obligations
for FM/PAD and AF/EPS

1. 8685080	\$ 800.00
8685090	600.00
8685100	<u>745.00</u>

Total for (show month)	<u>\$2,145.00</u>
---------------------------	-------------------

2. Cumulative	\$9,685.00
---------------	------------

3. Embassy and USAID accounting stations are to establish a similar method of reporting monthly obligations for FY 1978 and subsequent fiscal years in order to meet the monthly flash report requirements contained in the U-102 Report (**see Handbook 19, Chapter 9C**).

1. Funding Costs of Activities

(1) Direct payment to vendors or suppliers for services or commodities, using form FS-455, is the preferable method of financing self-help activities.

(2) An acceptable alternative method is to reimburse the cooperating-government ministry, based on claims for reimbursement, appropriately supported by financial expense reports, which in turn are documented in accounting ledgers and expenditure records that must be made available to the U.S. Government for audit purposes.

(3) Based on local conditions, the post may follow the well-established local customs in assuring that liquidation of U.S. obligations are promptly and efficiently processed.

(4) The issuance of a check for the total amount of the project is not recommended; nor is it in accordance with good cash management policies as promulgated in the Treasury Fiscal Requirements Manual (T.F.R.M.). **Cash advances to a recipient organization shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project**, Section 205.4, Appendix No. 1 (**Circular 1075**), Part 6-1000, T.F.R.M. In any case, the maximum advance given should not exceed one month's cash requirement, unless it jeopardizes the entire project. The direct payment of vouchers submitted, or the reimbursement of claims paid, by the recipient are the preferred methods of payment.

m. Processing Payments

(1) Regular U.S. Disbursing Officer (USDO)

Posts process expenditure vouchers through regular established disbursing channels. When payments have been made, the USDO prepares the SF 1221, Statement of Transactions according to Appropriations, Funds, and Receipt Accounts and forwards it, with paid vouchers, in the usual manner.

(2) Regional Budget and Fiscal Officers

When facilities of a Regional Budget and Fiscal Organization are utilized, such as Abidjan, Ivory Coast, Yaounde, Cameroon, Nairobi, Kenya, or Pretoria, South Africa, the same disbursing services are provided. The post executes obligating IAA's, and implementing purchase orders without any additional authorization other than that provided in this Handbook. When goods or services are received, the post official signs the receiving report (**form FS-455**). This form is then forwarded to the Budget and Fiscal Officer for payment purposes following the usual established disbursing routine and is used for accounting support in the local field accounting station allotment records.

n. Audits

(1) General

Special self-help activities are subject to the same general internal and external audits as other activities financed from funds made available to AID.

(2) AID Auditor General (AG)

(a) Special self-help activities implemented by the Embassy are subject to audit by AG. The scope and extent of audits may vary from post to post, depending on the size and condition of the program in each country.

(b) AG schedules audits to the extent desired or essential to assure that activities financed from self-help funds are within the intent of applicable regulations, are fundamentally sound for financing, and effectively managed.

(3) Post Self-Audits and Follow-up

It is the responsibility of each post to provide follow-up on activities which are financed from U.S. Government funds and to assure that maximum benefits are derived. Follow-up is made at least once during the implementation stages of a project, and more frequently if the nature and amount of U.S. financing warrants. Before the final bill is paid for the activity, the post assures that the activity has, in fact, been successfully completed. A simple brief written record of follow-up and findings is prepared by the post official and retained in the post Self-Help Activity file for internal and external audit uses. (**See Section 10L3b(3) above.**)

10M. Accounting and Internal Control Procedures for AID Self-Funded Participant Health and Accident Coverage (HAC) Program

1. General

Effective February 1, 1980, AID adopted an AID Self-Funded Participant Health and Accident Coverage (**HAC**) Program for the financing of medical costs for all AID-financed non-U.S. participants training in the United States. This Program is currently administered by a contractor, Trust Fund Administrators, Inc., 1030 15th Street, N.W., Suite 500, Washington, D. C. 20005 (the HAC Program Administrator), under the Cognizant Technical Office - Office of International Training, Bureau for Science and Technology (**S&T/IT**). This section is to establish accounting and internal control procedures for the HAC Program.

2. Categories of Participants

The following categories of participants are AID financed for training in the United States but programmed and/or implemented by various agents. These participants are eligible for enrollment in the AID Self-Funded Participant Health and Accident Coverage (**HAC**) Program. Coverage is mandatory for AID directly administered participants and participants under AID-Direct Contracts ((1), (2) and (3) below); coverage is optional for host government contractor administered participants (4) below.

a. S&T/IT Directly Administered Participants (Funded PIO/Ps are issued**)**

(1) Participants programmed by AID for training in the United States and implemented by Office of International Training, Bureau for Science and Technology, AID/W.

(2) Participants programmed and implemented for AID by other U.S. Government agencies or by programming contractors (**currently SECID and Roy Littlejohn Associates, Inc.**).

b. Contractor Administered Participants (Funding Included in Contract Budget**)**

(3) Participants programmed and implemented by individual contractors/grantees (**contracts between AID and contractor/grantee**).

(4) Participants programmed and implemented by host government contractors (**AID financed contracts between governments of AID receiving countries and contractors**).

3. Responsibility

a. S&T/IT is responsible for (1) maintaining an automated participant data system collecting information on all eligible participants as prescribed in Section 10M2 above, (2) authorizing the HAC Program Administrator to issue **Enrollment Cards** to the eligible participants, (3) establishing standards for processing payments of claims under the

HAC Program, and (4) supervising the operations, and monitoring the control procedures, of the HAC Program.

b. M/FM/PAD is responsible for (1) maintaining an accounting system for control of the HAC Program funds, (2) transferring funds for HAC fees from the Participant Master Disbursing Account (**for S&T/IT directly administered participants as prescribed in Section 10M2 above**), (3) issuing FRLC for advance to the HAC Program Administrator for processing medical claims, (4) reviewing and processing expenditure vouchers (SF-1034) submitted by the HAC Program Administrator, and (5) monitoring, and reporting results of, internal control procedures for the HAC Program. M/FM/CAD is responsible for receiving and depositing HAC fees collected from contractors (**for contractor administered participants as prescribed in Section 10M2 above**).

c. The HAC Program Administrator is responsible for (1) issuing **Enrollment Cards** to the eligible participants only based on the authorizing list furnished by S&T/IT, (2) maintaining necessary records as specified in the contract, (3) processing medical claims in accordance with the standards established by AID (**S&T/IT**), and (4) periodically submitting reports to AID as required in the contract.

d. The Office of the Inspector General is responsible for having the HAC Program Administrator's medical payment system audited and for determining overhead rates on a timely basis.

e. It is the joint responsibility of M/FM/PAD and S&T/IT to determine the HAC fee rate for providing sufficient and adequate funds for the HAC Program.

4. Operating Guidelines for Internal Control under HAC Program

Handbook 10, Chapter 23 prescribes the detail operating procedures for issuance of HAC Enrollment Cards. The following outlines and emphasizes internal control guidelines for the administration of the HAC Program.

a. Enrollment of Participants under HAC Program

(1) S&T/IT Directly Administered Participants

(a) M/FM/PAD performs a review of the PIO/Ps in the budget formulation process to ascertain if various line items are in accordance with authorized allowance and that there is proper inclusion of the HAC fee.

(b) S&T/IT, at the time of **call forward** or the earliest date that participant's arrival is known, issues a list of eligible participants for enrollment authorizing the HAC Program Administrator to issue **Enrollment Cards**.

(2) Contractor Administered Participants

(a) Contractors mail post cards (**Form AID 1380-98**) to S&T/IT requesting enrollment of participants.

(b) S&T/IT approves the post cards and forwards to the HAC Program Administrator for issuance of **Enrollment Cards**.

b. Monthly Report of Eligible and Enrolled Participants

At the end of each month, S&T/IT issues a report of all eligible participants, who have been enrolled in that month, in two parts: (1) AID Directly Administered Participants including PIO/P No., Name of Participants, and Period Covered, and (2) Contractor Administered

Participants including Contract No., Name of Participant, and Period Covered. This report will be used by M/FM/PAD for (1) transfer of funds, and (2) verification of eligibility for medical claims.

c. Fund Control

(1) AID Directly Administered Participants

On the basis of the part (1) of the S&T/IT monthly report of eligible and enrolled participants (**see Section 10M4b above**), M/FM/PAD transfers the computed HAC fee earned from the Participant Master Disbursing Account to Pseudo Allotment **B** (**see Section 10M5 below**).

(2) Contractor Administered Participants

(a) Contractors have been instructed to send, within thirty (30) days after enrollment, HAC fees computed on the basis of the fixed rate per participant per month to M/FM/CAD. The minimum period for calculation of HAC fee is one month--that is, one participant-month, 30 days, not one calendar month--HAC fees may not be prorated for fractional periods of less than 30 days.

(b) M/FM/CAD receives remittances from the contractors and M/FM/PAD transmits a list to the HAC Program Administrator for inclusion in records as participants who have remitted HAC fee for a specified period of time.

(c) M/FM/CAD immediately deposits receipts for credit to Pseudo Allotment **A** (**see Section 10M5a below**).

(d) At the end of each month, M/FM/PAD transfers the earned HAC fee for contractor administered participants on the basis of part (2) of the DS/IT monthly report of eligible and enrolled participants (**see Section 10M4b above**) from Pseudo Allotment **A** to Pseudo Allotment **B**.

(e) The HAC Program Administrator, at the end of each month, prepares the following reports to S&T/IT and M/FM/PAD:

1. A listing of all covered participants segregated by type.

2. Exception reports for:

a - Enrolled participants for whom remittances have not been verified as received.

b - Remittances received which can not be matched with enrolled participants.

(f) For exception report a, the HAC Program Administrator is to follow-up after 30 days of enrollment with a notice to the contractor(s) indicating that the required HAC fee has not been paid. A copy of this notice is attached to the exception report a which will be provided to S&T/IT and M/FM/PAD.

(g) If payment has not been received by the end of the second month of enrollment, the HAC Program Administrator sends follow-up notice(s) to S&T/IT for signature and then to the delinquent contractor(s).

(h) If payment has not been received by the end of the third month of enrollment, a formal Bill for Collection (Form AID

7-129) will be issued by M/FM/PAD and input into the AID mechanized Accounts Receivable System based on the listing provided by the HAC Program Administrator. No action will be taken by AID to stop possible claim payment for reason of non remittance of HAC fees due for authorized enrolled participants.

(i) S&T/IT in coordination with M/FM/PAD will attempt to identify participants reported on exception report b for the use of the HAC Program Administrator.

d. Verification of Medical Claims

(1) At the end of each month, a no pay voucher will be submitted by the HAC Program Administrator which will be supported by reports of claims paid for covered participants. M/FM/PAD will perform a review of the claims processed by the HAC Program Administrator by employing acceptable statistical sampling techniques to make certain that the participants are eligible and HAC fees have been paid. The S&T/IT monthly report as prescribed in Section 10M4b and the HAC Program Administrator's monthly report are to be used as the basis for the verification.

(2) A quarterly report is to be submitted by M/FM/PAD to the Deputy Controller, FM on the results of the statistical sampling review.

e. Shared Administrative Costs of the HAC Program

Since the HAC Program Administrator concurrently administers under the same contract the similar health programs for the Nigerian participants (trust fund financed) and the participants under Department of State Narcotic Program, M/FM/PAD distributes, based on enrollment data, an appropriate share of the HAC Program Administrator's administrative costs to these other health programs.

5. Accounting System for Control of the HAC Program

a. Pseudo Allotments

Two (2) pseudo allotments are to be established and maintained as follows:

(1) Pseudo Allotment for HAC Fees Collected (**Pseudo Allotment A - for FY 1980: 949-69-099-00-80-03**)

(a) Pseudo Allotment **A** is credited for HAC fees collected by checks from contractors/grantees (**for Contractor Administered Participants**).

(b) Pseudo Allotment **A** is debited monthly for premiums earned based on Part (2) of the S&T/IT Monthly Report of Eligible and Enrolled Participants (**see Section 10M4b**) with an offsetting credit to Pseudo Allotment **B**.

(c) The month-end balance in Pseudo Allotment **A** plus earned HAC fee receivables represents the unearned HAC fees collected from contractors/ grantees.

(2) Pseudo Allotment for Program Expenses (Pseudo Allotment **B - for FY 1980: 949-69-099-00-82-03**)

(a) Pseudo Allotment **B** is credited monthly for HAC fees earned which are (1) charged to the Master Disbursing Account for Participant Costs for S&T/IT Directly Administered Participants based on Part (1) of the S&T/IT Monthly Report (**the Master**

Disbursing Account is to be zeroed out at end of each month to the various Pseudo Allotments for the *credit disbursements* of participant costs transferred quarterly from Missions in U-101 Reports), and (2) transferred from Pseudo Allotment A for contractor administered participants, based on Part (2) of the S&T/IT Monthly Report of Eligible and Enrolled Participants (see Section 10M4b).

(b) Pseudo Allotment B is debited for all expenses incurred and paid for the HAC Program including monthly fee for the HAC Program Administrator, claim payments for participants, other expense for the Program, etc.

(c) Analyses of Pseudo Allotment B is to be used as a basis for determination of adjustment of future HAC fee rate.

b. Accounting Procedures

M/FM/PAD is responsible for maintaining two (2) Pseudo Allotments as described above. The following are the accounting procedures for the activities under the HAC Program:

(1) Collection of HAC Fees from Contractors/ Grantees for Contractor Administered Participants

Upon receipt of the checks from the contractors/ grantees, M/FM/CAD Cashier's Office deposits the checks and prepares a Notice of Collection/Adjustment (**Form AID 7-128**) including the following accounting information:

Dr. A/c 1111 Under Appropriation for Pseudo A
Cr. A/c 4100 - Pseudo Allotment A

The Cashier forwards the NC/A to M/FM/PAD which verifies the amount of the check for correct HAC fee for those covered.

(2) HAC Fees Earned

At the end of each month, M/FM/PAD receives from S&T/IT a report of eligible and enrolled participants by category. Based on the report, M/FM/PAD computes the amounts of HAC fees earned for that month and makes the following entries:

(a) For S&T/IT Directly Administered Participants on SF-1097

Transfer Voucher

Dr. A/c 4100 - Master Disbursing Account
Cr. A/c 4100 - Pseudo Allotment B

(Eventually the amount charged to the Master Disbursing Account will be allocated at the end of each month together with all other participant training costs to the various Pseudo Allotments for **credit disbursements** transferred from Missions.)

(b) For Contractor Administered Participants on SF-1017G **Journal Voucher**

Dr. A/c 4100 - Pseudo Allotment A
Cr. A/c 4100 - Pseudo Allotment B

(3) Refund of Unexpired HAC Fees of Contractor Administered Participants

From time to time, FM/PAD receives notice(s)/request (s) from the contractors/ grantees through DS/IT for refund of unexpired HAC fee due to reduction of training period. After the notice(s)/ request(s) is verified and approved by DS/IT, FM/PAD prepares an SF-1034 for issuance of check(s) to the contractors/ grantee(s) concerned charging to Pseudo Allotment **A**. Contractors have the alternative and are encouraged to effect refunds due against future remittance due.

Dr. A/c 4100 - Pseudo Allotment **A**
Cr. A/c 1111 Under Appropriation for Pseudo **A**

(4) FRLC Drawdowns by the HAC Program Administrator a part of FRLC operation, FM/PAD prepares a Journal Voucher (SF 1017G) for the advances to the HAC Program Administrator as follows:

Dr. A/c 1323 Under Carrier Appropriation
Cr. A/c 1111 Under Appropriation for Pseudo **B**

(5) Expenditures Reported by the HAC Program Administrator The HAC Program Administrator submits monthly SF 1034 covering payments made during the month for participant claims. A list of checks issued by the HAC Program Administrator during the month with payee information should be attached. The SF 1034 is processed as **No Pay** voucher with the following accounting entry:

Dr. A/c 4100 - Pseudo Allotment **B**
Cr. A/c 1323 Under Carrier Appropriation

(6) Other Expenses for the HAC Program

Other expenses for the HAC Program may include contract payment to the HAC Program Administrator etc. Such expenses are reported on SF-1034 by the HAC Program Administrator and/or others, which will be processed by FM/PAD for payment with the following accounting entry:

Dr. A/c 4100 - Pseudo Allotment **B**
Cr. A/c 1111 Under Appropriation for Pseudo **B**

6. Quarterly Reporting

FM/PAD is required to make a quarterly report to FM Deputy Controller on the status of the HAC funds. The statement will reflect the following:

- a. Total HAC fees earned and transferred to Pseudo Allotment **B** (Contract and PIO/Ps);
- b. Total HAC fees collected (**Contract**);
- c. Total HAC fees remaining outstanding yet to be collected from contractors;
- d. HAC Program Costs (**Trust Fund administrative costs and total medical claims**).

10N. Nonproject Assistance - Cash Transfers

1. General

a. Cash transfer procedures affecting AID/W and overseas Missions are also contained in Handbook 4, Non-Project Assistance, in particular, Chapter 8, Appendix 1A; Appendix 3B; and Attachment 1 to Appendix 3B. Cash transfers are a form of nonproject assistance used to purchase

local currency for budget support or to provide balance of payments support on an emergency basis when the particular AID purpose cannot be accomplished through other instruments. It involves the release of funds to a cooperating government in the absence of, or in advance of, requirements for documentation evidencing the actual use of funds. It is usually associated with emergency situations and large amounts of money; therefore, due care should be taken when dealing with cash transfers.

b. A Program Assistance Review Document (**PARD**) is prepared by the USAID Mission and is used in AID/Washington to enable review of the USAID program to determine adequacy of justification for inclusion of the Cash Transfer Program in the Congressional Presentation. If the requirement for nonproject assistance arises out of cycle (**i.e., an emergency situation**), the PARD is waived and a Program Assistance Approval Document (**PAAD**) is prepared by the Mission and supported by the analysis normally required for both the PARD and the PAAD.

2. Accounting Records

If the Cash Transfer involves a loan, M/FM/LMD maintains the official accounting records and carries out loan servicing responsibilities. If the Cash Transfer involves a grant, the official accounting records are maintained by M/FM/PAD.

3. Allotment and Budget Allowance

a. M/FM/CAD receives apportionments from OMB. CAD then issues allotments to the Geographic Bureaus. The bureaus send Advice of Budget Allowances to CAD for approval. After the budget allowance for a cash transfer is approved by CAD, the accounting station copy of the Advice of Budget Allowance is forwarded to M/FM/PAD (**for grants**) or M/FM/LMD (**for loans**).

b. The unsigned PAAD is sent over to M/FM for clearance. PAD and LMD use the PAAD as a reservation document for fund availability control. M/FM verifies that an executed budget allowance exists for the PAAD before clearing the document. After M/FM clears the unsigned PAAD for fund availability, the document is sent to the Administrator or the Geographic Assistant Administrator who approves the nonproject assistance activity and authorizes the obligation of funds for implementation.

c. After the PAAD has been signed, the Geographic Bureau advises the Mission that the PAAD has been approved and that preparation and negotiation of the Loan/Grant Program Assistance Agreement can proceed.

4. Obligation

a. The Program Assistance Agreements are the obligating documents for Cash Transfers. M/FM/PAD or M/FM/LMD uses the agreement or the Program Assistance Agreement Abstract and Mission cable to obligate the funds.

b. When the Program Assistance Agreement is signed in the United States, this document is used to obligate funds. When the agreement is signed abroad, a cable is sent by the Mission stating that the agreement was signed. A Program Assistance Agreement Abstract is then prepared by the Geographic Bureau for each agreement for a cash transfer or amendment thereto. This document is used as the basis for recording obligations in the official accounting records of AID/W and serves to support such entries until confirmed copies of the agreement and other documents are distributed. The Abstract is authorized by the Geographic Assistant Administrator or his designee.

5. Disbursement

a. A Financing Request for a Cash Transfer is prepared by the Mission and signed by the Mission Director and the designated representative of the borrower/grantee. The financing request is generally not used by M/FM as this information is included in the agreement.

b. For all nonproject assistance cash transfers, the Mission Controller should prepare and/or clear on the cable(s) to AID/W which state that the agreement or amendment has been signed, that the Conditions Precedent have all been met, and that **the funds are to be disbursed in the following manner.**

c. The Cash Transfer may be made by the Mission or by AID/Washington but is almost exclusively done by AID/W. In AID/W, M/FM/PAD schedules the payment and makes the disbursement for a grant. M/FM/LMD issues a DRA which is sent to M/FM/BFD who then schedules the payment and makes the disbursements for a loan. The payment is scheduled on a Standard Form 1166 and is certified by an Authorized Certifying Officer. The form is filled out to indicate that a TFCS (**Treasury Financial Communications System**) payment is involved. After the schedule is completed, M/FM/PAD or BFD effects a wire transfer with Treasury. In rare cases, the payment may be affected by check rather than wire transfer.

d. Under an unusual situation, a cash transfer may be made by the Mission. In such a case, FM/PAD (**for grants**) or FM/LMD (**for loans**) will send a Disbursing Authorization to the Mission where a Standard Form 1166 is prepared and certified. The SF1166 is then sent to the Disbursing Officer for issuance of a check. The transaction is transferred to M/FM in AID/W through AOC procedures.

e. The following information is required for a cash transfer prior to disbursement:

(1) Copy of executed agreement or executed Program Assistance Agreement Abstract,

(2) Evidence that all Conditions Precedent have been met and the date met,

(3) Written request to establish a Cash Transfer Disbursing Authorization,

(4) Any other documents which may be required under the terms of the agreement to make the disbursement,

(5) The dollar amount to be disbursed,

(6) The bank address, account name, and account number to receive the funds.

f. Information for subparagraphs (2), (4), (5), and (6) and advice of execution of the agreement may be in the form of cables from the Mission. Two full working days are required by M/FM after receipt of the documents to effect disbursement.

g. Deviations from the above procedures may only be authorized by the Controller, Deputy Controller, or other Office of Financial Management personnel serving in an **acting** capacity for the Controller or Deputy Controller of M/FM.

1. Purpose

This section prescribes specific procedures to be followed in the transfer of financial management responsibilities. These procedures apply to a change in accounting station not resulting from a Mission close out.

2. AID/W Responsibilities

- a. Prepare and transmit to Mission Controller a checklist of specific items to be reviewed prior to departure.
- b. Designate the new accounting station for the Mission.
- c. Determine an effective date for accomplishment of the transfer.
- d. Advise other Missions of the transfer of accounting station responsibility for the Mission.

3. Transferring Mission's Responsibilities

- a. Make plans for the transfer or destruction, as appropriate, of Mission Controller/financial books, files and records.
- b. Assemble documentary file of all unpaid invoices, travel claims, contracts, etc.
- c. Assemble complete documentary file of all recorded Mission accounts receivable and follow-up action that has been taken in an effort to collect delinquent receivables. For each delinquent receivable, include a listing which summarizes actions taken along with a recommendation for final resolution.
- d. Assemble separate documentary file of all unpaid notice of payment due on loans.
- e. The Mission Controller/financial books, files and records must contain sufficient detail to permit the receiving Mission office to perform the required financial functions.
- f. Controller Verification Statement and Memorandum

(1) The individual responsible for the transfer of the Mission Controller/financial books, files and records must prepare a memorandum together with a **complete** listing of all books, files and records being transferred to the receiving Mission office, with a copy to the Controller in AID/Washington, relating to the transfer with certification concerning specific required actions and inclusion of the verification statement below.

(2) A Controller Verification Statement must be signed by the individual responsible for the transfer of the Controller/financial books, files and records, as follows:

I attest to the correctness and completeness of the books, files and records being transferred from my responsibility to USAID/_____ Controller's responsibility. The financial management transfer procedures have been performed according to AID Handbook 19, Section 100 with the exception of the disclaimers and qualifications noted above.

Mission Controller, or Designee

USAID

Date

4. Receiving Mission's Responsibilities

a. The Mission office assuming required financial functions is responsible for assuring a smooth transfer of financial operations, avoiding to the extent possible, a disruption in service.

b. The receiving Mission office must review the complete listing of all books, records and files against items actually received to ascertain that no items are missing in transit. The importance of the preparation of and the review of this **complete** listing can not be overemphasized.

5. Illustrative Memorandum

SUBJECT: Transferring of Financial Management Activities

TO: Receiving Mission Office (**Copy to the Controller in AID/Washington**)

As part of the transfer of Mission Controller/ financial books, files and records, I certify that I followed the procedures as in AID Handbook 19, Section 100. The following specific actions were taken in order to assure that there was a complete and successful transfer of all records and supporting documentation:

1. Appropriate documentation exists to support all recorded Mission accounts receivables and follow-up action has been taken in an effort to collect delinquent receivables. For each delinquent receivable, a listing has been prepared which summarizes actions taken along with a recommendation for final resolution.

2. Documentation exists to support all recorded obligations and the liquidation record accurately reflects the current status of each. A detailed listing of all unliquidated obligations has been prepared and made part of the financial records.

3. All outstanding cashier funds have been reconciled and accounted for along with all other cash advances that were outstanding to individuals.

4. All claims by suppliers, contractors and employees have been settled where possible and those that remain unpaid are identified in a separate file with a summary listing of individual recommended actions required for resolution.

5. All required reports have been prepared and submitted to AID/Washington as of _____.

6. The Allowance Ledgers, Project Ledgers, and Commitment Liquidation Control Records have been balanced and reconciled, one to the other on _____.

7. An interim Section 1311 review has been performed to ensure that all obligations are valid at the time of transfer.

8. The document files (**i.e., project files, agent/contractor files, etc.**) have been reviewed and updated as necessary to assure backup information for the books and records will be complete and readily available.

The following are disclaimers or qualifications to the items listed above:

- 1.
- 2.
- 3.
- 4.
- 5.

(NOTE: Disclaimers or qualifications must be stated in detail.)

CONTROLLER VERIFICATION STATEMENT

I attest to the correctness and completeness of the books, files and records being transferred from my responsibility to the USAID/_____ Controller's responsibility. The financial management transfer procedures have been performed according to AID Handbook 19, Section 10.0 with the exception of the disclaimers or qualifications noted above.

Mission Controller, or Designee

USAID

Date

6. Closing Out Financial Management Activities

The financial management closeout procedures may be found in AID Handbook 23, Section 13G. This section of AID Handbook 19 relates strictly to a change in accounting station not due to a Mission close out.

10P. CHANGE IN BPC STRUCTURE

When a change in the structure of the Budget Plan Code is necessitated, the following procedures are to be used.

1. Change in Accounting Station

When the change does not involve a different appropriation account but rather a new accounting station, the following procedure is followed. For current year funds, an Advice of Budget Allowance is prepared decreasing the dollar amount to zero. A new Advice of Budget Allowance is then prepared with the new Budget Plan Code and old dollar amount. A notation should appear on both forms explaining the transfer and the reason therefore. All obligations and expenditures are simultaneously transferred. For prior year funds the same procedure is used with one exception; only the unliquidated portion is transferred, specifically, the unliquidated balance at the time of the transfer.

2. Change in Appropriation

If the change involves a new appropriation, for example, funds previously appropriated for the current fiscal year as annual funds changed by subsequent legislation to no-year funds or a completely different appropriation, then the following process must be followed. A cable to the Mission overseas and a memorandum to the AID/Washington offices is sent to all parties concerned informing them of such and requesting that the changes be made to their records. NOTE: If the change involves a small number of Budget Plan Codes, consideration should be given to following the same procedures used when a new accounting station is assigned as outlined

in the previous section.

ATTACHMENT 10A

RESERVED

[WILL BE REISSUED WHEN 4FAM 437 IS UPDATED]

ATTACHMENT 10B

RESERVED

ATTACHMENT 10C

RESERVED

ATTACHMENT 10D-1

(Policy on Country-Financed Technical Services)

JUN 3 1975

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: GC, Mr. Charles L. Gladson
ES

FROM: AA/PPC, Philip Birnbaum

Problem: We need a policy statement on country-financed technical services which reflects the recent AAS discussion.

Discussion: The policy statement appended hereto, drafted by TA/STS, has been cleared by AA/TA, PPC, and, by this memo, GC. In our view it reflects AAC and your own views.

Recommendation: That you authorize the attached policy statement.

Approved: /s/ John E. Murphy

Disapproved: _____

Date: JUN 24, 1975

Attachment:

Policy Statement - Clearances:

Country Financed	AA/TA:CFarrar <u>(Draft)</u>	Date: <u>2 Jun 75</u>
Technical Services	TA/STS:JHeilman <u>(Draft)</u>	Date: <u>2 Jun 75</u>

bcc:GC:CLGladson
AA/TA:CFarrar
TA/STS:JHeilman
ES
PPC Reading File

Drafted by: EGriffel:PPC/RC:2 Jun 75

ATTACHMENT 10D-2

**POLICY STATEMENT
COUNTRY-FINANCED TECHNICAL SERVICES**

It is AID's policy to respond in a positive fashion to rapidly evolving U.S. foreign policy interests in enhancing economic relationships with developing countries that are not outside of the concessional AID framework or are in transition to such a status.

To carry out this policy AID will actively stimulate country-financed services in developing countries and, pursuant to the Foreign Assistance Act (**FAA**), perform a central role in arranging for these services from AID, other U.S. agencies, or the private sector. This policy extends both to non-AID countries - particularly those with natural resources of interest to the United States - and to countries where concessional AID programs are phasing out. In this latter case, developing country financed technical cooperation on a continuing basis with the United States will be an integral part of the transition strategy.

AID will respond to the development priorities set by the host country while seeking to establish long-term technological linkages with the U.S. public and private sectors and a continuing dialogue on development matters. In establishing technological linkages, AID will encourage the use of its established networks of development research and training resources on a reimbursable basis.

Within the U.S. government, AID will cooperate closely with the State Department in developing country-financed services. It will cooperate with other USG agencies to encourage and facilitate their active participation in country-financed technical services. As required, AID will undertake coordinating and administrative responsibilities for Joint Economic Commissions and other joint programming activities.

It is AID's policy that funds authorized under Section 661 of the FAA will be primarily utilized in (a) countries having raw materials of interest to the United States and in (b) countries where AID concessional assistance is being phased out, to stimulate reimbursable services and to assist in defining project needs.

ATTACHMENT 10E-1

(Guidelines for Use of Section 661 Authority)

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES

May 13 1975

FROM: AA/TA, Curtis Farrar

Problem: To establish guidelines for the use of Section 661 authority.

Discussion:

The new Section 661 authority now provides the legislative basis for a more effective program of **Country-Financed Technical Services (generally referred to as reimbursable services)**. This authority not only relates to the previously enacted Section 607, but also would be used to stimulate country financed technical services from non-U.S. government sources such as universities, foundations, professional societies, consulting firms and private experts.

We visualize this new authority being used for two main purposes:

1. To generally stimulate country-financed technical services;
2. To help develop project concepts and define and articulate requests;

If a project is of such complexity that a **project design** step is needed between project definition and implementation, the design work will not be carried out under 661 authority but rather included under Section 607 authority.

The attached guidelines for the use of Section 661 authority would be applied in determining the use of funds (**Annex A**). In them, two points deserve highlighting.

1. The guidelines contemplate not only the use of USG direct-hire, but also consultants, experts and contract personnel subject to further consultation with Senator Case. This is contrary to the assurances given by the AID General Counsel to Senator Case at the time the legislation was passed (**Annex B**), and therefore will require going back for the Senator's approval. The employment limitations provided in the guidelines are intended to obviate specific concerns expressed by Senator Case. They will prevent personnel performing services under Section 661 from accepting reimbursement from other than U.S. government sources. Further, special government employees and contractor personnel who engage in activities under Section 661 will be precluded from providing follow-on reimbursable services or commodities resulting from such activities. We think this should be satisfactory to Senator Case, and that these limitations will not impair the effectiveness of activities performed under the authority of Section 661.

2. The guidelines specifically contemplate using Section 661 authority subject to further consultation with Congressman Bingham to fund personnel stationed overseas (**either in a country or regionally**) to stimulate country financed services. While the legislative history of 661 does not reflect that Congress considered this use, we believe that doing so is nonetheless consistent with the overall Congressional intent. Moreover, we believe that doing so may be an important element in the transition strategy for

AID countries and in support of the Joint Commissions. There are several cases not being discussed where such use of 661 may become desirable in the near future.

- Brazil and Indonesia, where the State/AID desks are currently viewing the stationing of such personnel an important part of the transition strategy in those countries;
- The Arab Gulf States where the State Department study of U.S. policy in that area which is now in process will probably recommend a regional representative.
- Further exploration of the potential for country financed services may reveal the need for placing regional representatives in Venezuela and Nigeria.

The Administrator or the Deputy Administrator will need to approve each overseas full-time position. Also, there might be some funding questions with respect to such assignments which we anticipate resolving on a case by case basis.

Recommendation:

That you approve, the attached guidelines for use of the Section 661 authority.

Approved: /s/ John E Murphy

Disapproved: _____

Date: 5-10-75

Atchs: a/s

TA/STS:JHeilman:mas:3/19/75

Redrafted:TA/STS:JHeilman:ces:5/12/75

Clearance:

AA/NESA	(Draft)	Date	3/25/75
AA/AFR	"	Date	3/27/75
AA/EA	"	Date	4/21/75
AA/LEG	"	Date	4/14/75
ARA-LA	"	Date	4/09/75
PPC	"	Date	4/10/75
GC	"	Date	4/15/75
GC/TFHA	"	Date	4/15/75

ATTACHMENT 10E-3

COUNTRY-FINANCED TECHNICAL SERVICES

USE OF AUTHORITY IN SECTION 661 OF FAA

General Criteria

The authorization provided under Section 661 will be used:

.....to work with friendly countries, especially those in which United States development programs have been concluded or those not receiving assistance under Part I of this Act, in (1) facilitating open and fair access to natural resources of interest to the United States and (2) stimulation of reimbursable aid programs consistent with Part I of this Act. Any funds used for purposes of this section may be used notwithstanding any other provision of this Act.

Such use will be subject to agreement by the U.S. embassy in the host country that utilization of the authority is in the U.S. interest and will be approved by TA/STS with clearance from PPC, GC and other interested components of State/AID. In utilizing funds provided under this authorization emphasis will be given to friendly countries in the Middle East and Persian Gulf, Africa, Latin America and others which are **aid graduates** or have never received U.S. assistance.

Activities to be Funded Under Section 661 Authorization

1. Authority will be utilized for the stationing and funding of activities on a continuing basis overseas of technical cooperation specialists for purposes of pursuing the objectives of this Section of the Act.

2. Authority will also be utilized for short-term activities (**normally not to exceed 90 days**) of U.S. government direct-hire employees, special government employees or contractor employees conducted in the host country and in the U.S. which are required to carry out the objectives of Section 661. These short-term activities will include:

a. Travel to discuss with countries available U.S. services, resources, and methods of facilitating their use by such countries;

b. Surveys to identify reimbursable technical cooperation opportunities and technical relationships between the country and the U.S.;

c. Activities necessary to assist countries in clarifying and articulating requests for reimbursable technical services;

d. Funding costs of U.S. personnel for scientific and technical meetings, workshops and study groups in friendly countries, which involve U.S. and country personnel, where it is determined by the Administrator that these will directly facilitate U.S. access to natural resources or stimulate reimbursable aid programs;

e. Funding of intermittent country requests for technical information and data in furtherance of objectives of Section 607;

f. Other activities determined to be consistent with the objectives of Section 661.

Restrictions on the Use of Section 661 Authorization

1. All activities undertaken to stimulate reimbursable assistance programs under this authority will be consistent with Part I of the Foreign Assistance Act of 1961, as amended.

2. Activities which may give undue commercial advantage to any particular U.S. commercial organization over other U.S. commercial organizations will not be authorized.

Funding

Funding, consistent with USG regulations, may be provided for salary, costs of stationing personnel, transportation, per diem and incidental expenses of U.S. government direct-hire personnel, special government employees, and contracting employees in conducting the above described activities together with the costs of writing and publishing reports which result from such activities.

Employment Limitations

1. All personnel who perform services under the authority of Section 661 will not accept reimbursement for such services from any source other than the U.S. Government.

2. All special government employees and contractor personnel who engage in activities under Section 661 will be precluded from providing any follow-on reimbursable services or commodities resulting from, or arising out of, their participation in the aforementioned activities.

3. In the case of special government employees and contractor employees, agreements necessary to implement the above limitations will be obtained when they are appointed or hired.

ATTACHMENT 10F-1

Country-Financed Technical Services Direct and Indirect Cost Classifications

The cost of providing reimbursable technical services falls in two distinct categories; i.e., costs expended directly in behalf of project, which are classified as direct costs, and incremental costs incurred for program and management support of the project, which are classified as indirect costs.

Direct Project Costs

1. Preproject planning and post project evaluation.
2. Total cost of project personnel in the country, including short-term assignments of headquarters personnel to respond to a particular problem (**e.g., salaries, benefits, foreign differential and allowances, travel of employee and family, transportation of household goods and personal effects, housing**).
3. Headquarters-based personnel assigned to directly support the implementation of project.
4. Report-writing time of project personnel at headquarters upon completion of project assignment.
5. Publication of technical reports.
6. Laboratory support.
7. Computer services.
8. Special analytical studies as required.
9. Maintenance of specialized equipment on project.
10. Purchase of specialized equipment, existing publications, translation and printing services, and transportation costs.
11. Foreign Affairs Administrative Support (**FAAS**) chargeable to the project.
12. In-country office space, furniture, machines, telephones, vehicles, etc., not provided by sponsor.
13. Customs fees and other taxes assessed in country.
14. Instructional cost of training foreign nationals.
15. Contractual services.

ATTACHMENT F-2

Country-Financed Technical Services Direct and Indirect Cost Classifications

Indirect Project Costs - Program and Management Support

Program and management support costs cannot be identified with a specific reimbursable project but provide direct benefits shared by all reimbursable projects. These costs are included in the project budget as a single line item. The amount for program and management support is assessed as a percentage of direct costs or in a specific dollar amount. (See Section 10I4d(2) of this Handbook.)

Examples of program and management support activities are listed below:

1. Program Support

a. Services associated with program development and negotiations, including planning, general support, monitoring, and mid-management supervision; professional recruitment; orientation and briefing, on-going project review; prepublication activities (**cartography, technical editing, drafting, etc.**); consultation with headquarters and agency staff on specific problems encountered during conduct of project; operation and maintenance of specialized equipment, operational methods; instrumentation, and standards.

b. Program support services also include preplanning activities, administration, and coordination of agency involvement and resources committed to development assistance activities; overall supervision and direction of projects, periodic supervisory or consultation trips. These functions are performed by officials at top management levels.

2. Management Support

Administrative and management activities related to providing headquarters project support such as personnel management, budget, fiscal, procurement, communications, mail, records management, data processing, office furniture and machines, office space, heat, light and floor space. Also included are supervisory in-country visits and consultation.

ATTACHMENT 10G-1

Country-Financed Technical Services Reimbursement Agreement

[Electronic version of this form is not available at this time]

ATTACHMENT 10H

(Overhead Rates for Application to Country-Financed Services)

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: ES

FROM: AA/SER, Charles A. Mann

Problem: AID overhead rates determined on an incremental basis for application to direct costs of country-financed services (CFS) authorized under Section 607 of the FAA need to be approved.

Background:

AID policy on the assessment of overhead for country-financed services implemented by AID, which you approved on April 27, 1976, provides:

That AID overhead rates for country-financed services include all reasonable direct incremental costs but should take into account the Agency's desire to be competitive in international affairs.

AID implementation of country-financed projects and activities may be arranged under a bilateral agreement or under a Joint Economic Commission (JEC) program coordinated by another USG agency. In some cases AID may participate in a country-financed project which is the responsibility of another USG agency under a separate agreement with the recipient country (or other entity) pursuant to the issuance of a Section 607 Determination by AID or other authority. AID country-financed agreements may be implemented by direct-hire or Personal Service Contract technicians, or by AID contractor or PASA personnel. The recently approved overhead policy applies to any of these AID implementation methods; it would also apply to the assessment of AID direct costs incurred under a project administered by another USG agency.

Overhead costs under the AID overhead policy are considered to be those costs incurred in AID/W operations, including program and management support, which clearly and fairly benefit the project and enhance its conduct in a substantive manner. Proposed overhead rates for the purpose of effectuating the policy have been developed on the basis of the workforce levels required in certain AID/W operations and functions to provide benefits directly attributable to the AID country-financed program. Separate rates have been calculated for the technical services, procurement and training components of country-financed projects, reflecting the variations in workforce effort involved at AID/W in generating incremental direct costs. Also, the method of implementation (AID, contractor or PASA technicians) was factored into the rates to reflect differences in AID/W workforce costs that are equitably distributable under each method. Using the base fiscal year 1975, the most recent period for which actual AID operations and workforce data are available, these calculations result in the following overhead rates, by cost components and method of implementation, proposed for assessment of AID-country financed projects in accordance with the underlying policy:

Method of Implementation

Project Components	AID (1)	Contractor (2)	PASA (3)
Technical Services	30%	19% 1/	19% 1/
Procurement Services			

Up to \$2 million	17%	((
\$2 to \$5 million	7%	(4% 1/	(4% 1/
Over \$5 million	3%	((

Training Activities

Academic-person/month	\$85 2/	3/	3/
Non-academic-person/month	\$95 2/	3/	3/

- 1/ Rates are for contracts or agreements under \$2 million, but would be negotiable on larger projects and/or based on the extent of AID involvement.
- 2/ Maximum rates if full range of support services provided.
- 3/ Where the training or backstopping services are provided by a contractor or under a RSSA, AID will consider the charges imposed by the contractor or other USG agency as a direct cost and will apply an overhead rate commensurate with the services provided by AID.
- 4/ However, the costs of SER/CFS, which are more in the nature of monitoring and implementation of Section 607 programs are included in the overall rates shown above.

For technical services the overhead rates are based on the additional AID/W workforce costs as a percent of the average direct costs of AID, contractor and PASA technicians, respectively, employed in the base year. As computed above, the technical services overhead rate of 30% for AID implemented projects is approximately 25% below the previous rate which was based on the distribution of the bulk of AID/W operating costs, rather than incremental costs, which you initially approved on November 8, 1974. The rates for procurement represent the cost of AID/W operations involved in off-the-shelf procurements of various dollar amounts when carried out by the Agency; and, when carried out by contractor or PASA, a uniform rate of 4% should be assessed based on an average procurement value of \$2 million.

The selling or marketing function conducted by the Coordinator, Reimbursable Technical Assistance 4/ in pursuit of country-financed projects, will be performed at no cost to a recipient country. In instances where AID performs substantially the same technical, professional and management services as provided in a Section 607 country-financed project but the contracts or related arrangements (**contractors, PASAs or Personnel Service contractors**) are executed between the country involved and the respective party, AID will charge overhead at the rates shown above. In instances where AID performs substantial services culminating in an agreement between the recipient country and a respective party, but where AID is not responsible for monitoring or management services, such as audit or financial support, the rate could be assessed at 4%. Individual agreements involving more than the type of services contemplated by Section 661 will be burdened with a charge, depending upon the amount of services rendered, at rates ranging from 3% to 19%.

It is also proposed that the AID overhead assessment of direct costs incurred in participation in another USG agency's country-financed project be established at the same rates as apply to country-financed projects for technical services, procurement and training when carried out by AID (**column 1 of the table above**).

For JEC projects implemented by AID, the overhead allocation will be governed by the criteria of the JEC coordinating agency of the USG and the underlying Technical Cooperation Agreement between the coordinating agency and the recipient country. For example, a uniform rate of 40% of total direct costs for JEC projects with Saudi Arabia, coordinated by the Treasury, applies to most work carried out by various USG agencies, except for equipment which is assessed at 15%. In instances where AID participates in a JEC project

which is administered under an operating agreement between the country and another USG agency, e.g., Saudi Arabia vocational training centers project, AID overhead on direct costs will be the same as in the table above (**column 1**). Where AID overhead rates on its contribution to a JEC project of another agency are less than the rates stipulated in the underlying Technical Cooperation Agreement, the matter of compliance with the latter should be left to the determination of the administering agency which is a principal or signatory to the operating agreement with the country.

Attached, for your information, is a list of overhead rates of other USG agencies applied to intra-governmental agreements (**Papas or equivalent**) or charged to country-financed projects; and rates charged by selected U.S. contractors and organizations (**profit and non-profit**) for providing similar services.

Recommendations:

1. That the proposed overhead rates for AID country-financed projects under Section 607 of the FAA, as set forth in the Background, be approved as a basis for distributing incremental direct costs of AID/W operations and functions to benefitted bilateral projects implemented by AID, contractors or PASA agencies.

Approved: /s/ JEM

Disapproved: _____

Date: 7-27-76

2. That AID overhead on input to a country-financed project administered by another USG agency be approved on the basis of the same rates as proposed for AID bilateral projects implemented by the Agency.

Approved: /s/ JEM

Disapproved: _____

Date: 7-27-76

3. That it is recognized that AID overhead on country-financed projects under the jurisdiction of a JEC, coordinated by another USG agency, is subject to the assessment formula and standards in the underlying Technical Cooperation Agreement with the recipient country and related implementing guidelines of the coordinating agency; but that AID participation in a program or activity in which another USG agency is a principal or signatory would be assessed at the same overhead rates as for AID bilateral projects, unless such rates are inconsistent with the established JEC agreement.

Approved: /s/ JEM

Disapproved: _____

Date: 7-27-76

4. That SER/CFS and SER/FM be given the flexibility to negotiate overhead rates which fairly recover AID indirect costs applicable to support services which do not fall into the normal scheduled categories shown in the table, page 2.

Approved: /s/ JEM

Disapproved: _____

Date: 7-27-76

Enclosure

Clearance (**in substance**):

SER/CFS:TAMoser
SER/CM:HLDwellely
SER/COM:WCSchmeisser
SER/IT:CHFleer
SER/ENGR:MMVogel
SER/FM:TRBlacka
FM/RSD:DDolley
Coordinator/RTA:WJKendrick

SER/FM:PACooper:FM/ASD:MYTomkin:cav:7/22/76

ATTACHMENT 10I

Subject: LEG - 6 (Parameters of Section 661 and 607 Authorities)

July 22, 1975 vj

INFO: Parker log (o)
Murphy log (o)
ES log (o)
McGraw log (o)
ES/RAS log (o)
AA/SER, CMann
AA/TA, CFarrar
TA/STS

INFORMATION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: ES

FROM: /s/
GC, Charles L. Gladson

SUBJECT: Sections 607 and 661

This memorandum is in response to your request for a clarification of the parameters of Sections 661 and 607 authorities.

I. Section 607

Section 607 authorizes the furnishing of **services and commodities** on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid. Section 607 was enacted as part of the Foreign Assistance Act of 1961. The Committee report which accompanied the bill stated pertinently:

This, in effect, permits U.S. agencies to sell services and commodities, including excess property, to the specified recipients when the President determines that such sales will further the economic assistance purposes (part 1) of this bill. (H. Rpt. No. 851, 87th Cong., 1st Sess., p. 67 (1961)).

Section 607, like its predecessor, Section 535(b) of the Mutual Security Act, requires that sales be **within the limitations of the Act**. The Office of the General Counsel concluded that, in view of the legislative history of Section 535(b), **the phrase is not to be given a restrictive meaning, thereby precluding sales to nations not eligible for assistance and that, for example, in the case of Ireland, the lack of a bilateral agreement and the termination of assistance did not preclude sales under Section 535(b) (Saccio Memo to the Files, July 9, 1958; G.C. Opinion: MSA Section 535).** Therefore, the phrase **within the limitations of the Act**, does not require a **friendly country** to be an AID recipient or a **developing country** to be eligible for Section 607 sales.

As to the specific prohibition in the Act regarding **assistance** to particular countries, e.g., Sections 620, 211 (**forty-country limitation**) it should be noted that the term **assistance** denotes generally the supplying of commodities or services on a grant basis or on concessional credit terms, and that Section 607, on the other hand, provides for the sale of

commodities and services. Accordingly, the Office of the General Counsel has concluded that the **furnishing of services and commodities under Section 607 does not constitute assistance**; that **Section 607 does not authorize the furnishing of assistance**; and, therefore, **that the furnishing of services or commodities that amounts to providing assistance is outside the authority of Section 607** (Hoskins/Dragon Memo to Tyler Wood, Sept. 16, 1971; G.C. Opinion: Section 607, No. 40 and Phippard Memo to Rhinelander, March 2, 1971; G.C. Opinion: Section 607, No. 29). Therefore, while the specific prohibitions of the Act on assistance to particular countries may have relevance to whether or not the particular country in question is **friendly for purposes of Section 607 1/**, their direct application of **Section 607 sales is not required.**

1/ See Hoskins Memo to Wood, March 1970, G.C. Opinion Section 607, No. 29, which states that **countries barred under some of the 620 provisions may not be beneficiaries of this activity.**

Examples of limitations to the Act which would be applicable to Section 607 sales are: Section 601 which required participation of private enterprise to the extent practicable in achieving the purposes of the Act; Section 625(h) which prohibits Federal employees from accepting compensation or other benefits from any foreign country; Section 626 which places certain restrictions on the use of consultants; Section 608 which requires reimbursement for all costs incurred in furnishing excess property pursuant to Section 607; Section 622(a) which states that nothing in the Act shall be construed to infringe upon the powers of functions of the Secretary of State.

Specific Activities under Section 607

Section 607 may not be used as authority for providing services and commodities of a military nature because such sales would not be consistent with economic assistance purposes of Part 1 of the Act and under Section 644 the definition of both **commodity** and **services** are limited to non-military assistance.

Because an agency **may** use its appropriations to defray the expenses of additional duties imposed upon them by proper legal authority (30 Comp. Gen. 258; 46 id. 604), the agency **may pay for the administrative expenses necessary for the implementation of Section 607.** However, paying the expenses of an AID specialist to visit a country for the purpose of **analyzing the potentials for, and arranging for the purchase of technical services from the United States goes beyond funding the basic needs for administration of Section 607 and, therefore, would not be an authorized function pursuant to the administration of Section 607** (Hoskins/Dragon Memo, supra).

While administrative expenses of the agency may properly be used to fund expenses in the U.S. to administer Section 607 activities, personnel who are required in a foreign country solely to administer programs of technical cooperation would represent costs requiring full reimbursement. (ibid)

The U.S. **may not engage in topping of of a technician's salary under Section 607** since that U.S. portion of the salary for which reimbursement is not received constitutes grant assistance to the country or organization involved and would not be fundable under Section 607 (**Mevorah, GC to Tobler Memo, March 13, 1973, G.C. Opinion: Section 607, No. 47**).

Reimbursement

It is clear that **Section 607 requires full reimbursement** for costs for services or commodities provided under its authority. When Section 607 was enacted as part of the FAA of 1961, it was the Executive Branch

understanding that the reimbursement which Section 607 required was for **out-of-pocket expenses**. (See **Section-by-Section Analysis of Proposed Foreign Assistance Bill** submitted by the Executive Branch, June 9, 1961, 87th Congress, 1st Session, p. 14.)

There is no definition of the term **out-of-pocket** expenses in the above mentioned analysis. However, Executive Branch Position Paper No. 24, June 27, 1957 concerning the antecedent of Section 607, which contained substantially the same language, **indicated an understanding that these transactions [referring to services and commodities supplied on an advance-of-funds or reimbursable basis] ... involve full payment**

A dictionary meaning of **out-of-pocket** is **paid out or owed in cash**. It has been held that **out-of-pocket costs** include direct labor and material costs and exclude general overhead such as administrative expenses (**Armour & Co. v. Bowles**, 148 F.2d. 520, 541, cert. denied, (1945)). Accordingly, reimbursement is required for all direct, as distinguished from indirect costs. (**Richstein to Gladson Memo, supra.**)

Under the Standard Cost Factors for use in providing services and commodities under Section 607, which were approved by the Deputy Administrator, **reimbursement for pre-planning surveys made for the purpose of discussing and reviewing potential arrangements for technical assistance (as opposed to more in-depth surveys dealing with actual project formulation) need not include a salary and benefit charge or allocation of overhead.**

II. Section 661

Section 661 (**Section 31 of the Foreign Assistance Act of 1974**) authorizes activities (1) to facilitate open and fair access to natural resources of interest to the United States and (2) to stimulate reimbursable aid programs consistent with Part I of the Act. The purpose of the amendment is **to assist friendly countries particularly those in which development assistance has ceased or those not receiving prior assistance, in obtaining development-related goods or services from U.S. sources.** (H. Rpt. No. 1471, 93rd Congress, 2nd Session, p. 42 (1974)).

It is clear from the plain language of the section that funds used under authority of Section 661 are not subject to restrictions in the FAA, such as country limitations under Section 211 and Section 620 restrictions. Activities under Section 661 must have a direct relationship to the purposes of that section. Therefore, a proposal for the use of Section 661 funds should identify at least an expectation that the activity will (1) stimulate reimbursable aid programs or (2) facilitate U.S. access to natural resources (**Gladson Memo to Deputy Administrator, June 13, 1975**).

Government Employees under Section 661

AID assured Senator Case that only government employees would be utilized under Section 661 and that experts and consultants appointed as **special government employees** would not be used under the authority of Section 661. However, as a result of further consultations with Senator Case the authority of **Section 661 can now be utilized for special government employees and contractor employees, provided that all salaries and expenses are received exclusively from the United States Government.**

The legislative history also indicates that Section 661 funds would be available for the **topping-off** of the salaries of experts serving with international organizations or foreign governments. **This history was superseded by the assurances given to Senator Case that persons engaged in activities under the authority of Section 661 will receive all salaries and expenses exclusively from the USG.** This assurance is still valid. Accordingly, the authority of Section 661 is not available for topping-off

of salaries of experts serving with international organizations or foreign governments.

Administration of Section 661

Section 661, authorizes the use of funds, up to one million dollars, which are authorized elsewhere in the legislation; it does not authorize the appropriation of new funds. The authority to use the funds for purposes of Section 661, is given to the President. Accordingly, by virtue of the delegation of authority in Executive Order 10973, as amended, and Delegation of Authority No. 104, as amended, the AID Administrator may use or allocate any part thereof for use by other agencies for Section 661 purposes. Transfer of the funds to other agencies for such purposes may be effected pursuant to Section 632(a) of the FAA, as amended.

Since Section 661 does not authorize the appropriation of new funds but authorizes the use of funds authorized elsewhere in the legislation, funds used for Section 661 purposes are programmed, authorized, obligated, and allocated in the same manner as all other FAA funds, subject to any specific guidelines that may govern their use.

Specific Activities

The authority of Section 661 is available for funding the costs of U.S. personnel for **scientific and technical** meetings and study groups in friendly countries which involve U.S. and country personnel and which will directly facilitate U.S. access to natural resources or stimulation of reimbursable aid programs.

Another activity eligible for Section 661 authority is **the funding and stationing of technical cooperation** specialists in foreign countries for purposes of pursuing the objectives to Section 661.

Section 661 does **not permit** the funding of activities for the purpose of stimulating reimbursable programs **for non-U.S. sources**. While the term **reimbursable aid program** is not defined in Section 661 or elsewhere in the FAA, the House Report quoted above, cites development-related goods or services from U.S. sources (**H. Rpt. No. 1471, supra**). To the same effect is the following understanding of the executive branch in the letter which accompanied the proposed amendment which was enacted as Section 661:

The Executive Branch supported the amendment, the purpose of which was to authorize the provision of a limited amount of assistance and advice to aid graduates and countries which may never have received economic assistance to help in the procurement of public and private assistance from the United States...

Encouraging the furnishing of technical services from United States sources to countries which do not need foreign exchange support but which suffer a technology gap is a logical and proper role for the foreign assistance program. ... (See Richstein GC to Gladson, Memo, June 19, 1975.)

III. Legal Consideration Relevant to Joint Commission Activities

Establishment of Joint Commissions

The President's authority under Article II of the Constitution to conduct foreign relations (**delegated to the Secretary of State and recognized in 22 U.S.C. 2656**) provides an adequate basis for the establishment of joint commissions.

USG Agency Participation in Joint Commission Meetings

Most agencies possess ample authority in their organic legislation to

permit their participation in joint commission meetings which pertain directly to their basic programs.

USG Agency Participation in Projects Established by Joint Commission

The Department of **State, Treasury, and Commerce** have a legal basis in the Constitution (**in the case of State**) and their **organic** legislation to coordinate joint Commission meetings and follow-on projects within their respective areas of competence. However, other agencies must find a statutory basis for their activities not pertaining to their basic programs.

In addition to Sections 607 and 661 of the FAA the following are available as authority for agency participation in joint commission activities.

- Sections 627-630 of the FAA;
- United States Information and Educational Exchange Act of 1943, as amended (**22 U.S.C. 1431**) (**Smith-Mundt Act**);
- Mutual Education and Exchange Act of 1961, as amended (**22 U.S.C. 2451**) (**Fulbright-Hayes Act**);
- Joint Commissions on Rural Development under Section 471 of the FAA;
- Operation under the FAA and Foreign Military Sales Act on Defense Matters (**22 U.S.C. 2751**).

Legal Considerations relevant to Commission Activities

- Anti-Trust Laws

While the provisions of the Sherman Anti-Trust Act (**15 U.S.C. 1**) would not prevent joint commissions from promoting the development of commerce between the U.S. and another nation or prohibit members of the private sector from participating in such efforts, they would bar activities which curtail competition. Thus, it is desirable that any subcommission on trade or investment involving the private sector open its membership to all interested parties, **and that all business opportunities developed by joint commission activities be open to all interested and qualified American companies.**

- Arab Boycott

The Arab boycott presents unique legal problems enhancing the likelihood of serious anti-trust difficulties, in that participation by US businessmen in a joint commission which produced commercial opportunities closed to U.S. firms by the boycott might well constitute a variation of the anti-trust law. USG sponsorship of such commissions would also appear to be in violation of the Export Administration Act of 1969 which states, **It is the policy of the U.S. (A) to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States and (B) to encourage and request domestic concerns engaged in the export of articles, materials, supplies or information, to refuse to take any action, including the furnishing of information or the signing of agreements, which has the effect of furthering or supporting the restrictive trade practices ... (50 App. U.S.C. 2402 (55)).**

In addition, exclusion of persons on ethnic lines would also

result in the infringement of rights protected by the United States Constitution (**5th Amendment**) and civil rights laws (**42 U.S.C., 2000(d), (e), et seq.**)

Conflict of Interest Laws

While there is a clear body of law and regulations governing conflicts of interest by persons employed by the USG on a part-time basis (**18 U.S.C. 202 et seq.**) there are no such provisions, for example, for industry advisers, not employed by the USG, who accompany a U.S. delegation to an international conference and presents the position of his industry to the delegation as negotiations develop. Therefore, it is essential that all USG agencies monitor potential conflicts of interest by private persons who are not employed by the USG as consultants, experts, or **special government employees**. Agencies should make every effort to avoid placing private sector advisers in situations where their actions might result in financial benefit for themselves or their affiliates. For instance, private-sector participants should refrain from any involvement in contractor selection processes.

ATTACHMENT 10J

(Authorization for Modified Standard Cost System)

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: ES

FROM: AA/SER, Charles A. Mann

Problem: The use of the participant standard cost system by SER/FM in accounting for and costing participant training activities has invoked criticism from Arthur Young & Co., in their recent audit, from our Auditor General staff and from Missions because of certain features of the system. Basically the criticism stems from our use of a single standard for academic training and a single standard for non-academic training. These two standard rates do not take into account differences in the costs of various academic institutions and the significant differences in various non-academic training programs. The standard cost now contains a factor for funding training support provided by other USG agencies and a factor for complementary programs, such as orientation, language training, pre-departure seminars and seminar activities, and program development, centrally managed by SER/IT to enhance the training effort as a whole. Many of these costs now distributed against Mission funded participants through the use of the standard system do not apply on an individual basis to certain participants, and we have not developed a mechanism to recover these costs against AID-financed contractor funded participants nor self-financed participants. The problem is how to modify the existing standard cost system to provide for equitable costing and still retain the flexibility in operations and substantial manpower savings both in AID/W and Missions inherent with the standard cost systems.

Background: The present standard cost system was developed more as an accounting technique than as a device to accurately measure cost. Under present procedures, a standard monthly charge of \$650.00 is assessed for each academic and \$1,750 for non-academic participant. The standards established are in effect estimates of the average monthly costs for each category of participant, and no attempt has been made to further refine the standards since the system was implemented in July of 1973, other than revision of the rates. The costs of academic training vary significantly depending upon the educational institution and locale. At the present time the range for tuition charges ranges from approximately \$1,500 to \$4,000 per year. Maintenance charges vary from \$182 to \$375 per month. The costs of the various non-academic training programs also are substantially different depending upon the institutions or organizations involved and locale.

In developing our standard cost system the primary objective was to eliminate the thousands of advice of charge transactions and cable exchanges between AID/W and the Missions, as well as to improve our accounting reports involving the participant training program. The system has accomplished this in an exemplary manner. Most Missions have been enthusiastic about the system and it has made life simpler on the programming side as well as the controller side.

The standard cost system is a mechanism whereby Missions transfer a portion of their allotment at the stipulated standard monthly rates for inclusion in an AID/W master account established for this purpose. Actual billings for participant costs are charges to this account, with no attempt to accurately cost our specific or actual training costs by individual participant or country. The standard cost system is used for participants funded from both grant and loan programs. The initial concept recognized that the standard instituted an averaging process, and it was a considered judgment that within a country program the cost or charges to the Mission allotments fairly averaged out in that some participants would attend high cost institutions and others low cost institutions. Likewise it was thought the costs for non-academic training would average out, and in the overall picture **gains** or **losses** by individual Mission programs would be relatively insignificant when taken in the context of total country programs. Apparently the inequities inherent in the existing system as far as the costing of an individual participant now require a revision of the standard cost system.

Under the standard cost system payments for centrally administered programs and activities and for training support of other agencies are attributed against all SER/IT managed participants (**AID direct training**) through the mechanism of issuing payments from the master disbursing account. This would include participants whose training is carried out through another U.S. Government Agency under a Resources Support Service Agreement. Complementary programs include COSERV, University of Hawaii contract, AACRAO, Orientation, arrival and evaluation programs, pre-academic workshops, communication seminars, NAFSA, and mid-winter seminars. Some of the complementary programs and services, such as health insurance, benefit all participants. SER/IT costs of operations have not been distributed to Missions but are absorbed through AID/W operating expense.

Options: There are several options which must be addressed which we would summarize as follows:

1. Should the Standard Cost System be retained?
2. If so, should the system be modified to provide for a more accurate determination of the standards for a given participant?
3. Should complementary programs which do not benefit all participants be centrally funded?
4. Should certain RSSA costs and other complementary programs which are user specific be more clearly identified with benefitting participants?

Recommendation: SER/FM will continue the existing standard cost system modified as follows:

1. The standard for academic and non-academic participants will be established based on accurate estimates of tuition, maintenance or per diem, and domestic travel costs.
2. The basic standard will include a load factor for ancillary benefits provided by complementary programs and activities which are reasonably allocable to all participants.
3. The standard for each participant will be

further modified in a **building block approach** for certain cost factors which benefit that participant or class of participants. This would mean that all participants serviced under a particular RSSA would have included in the standard developed for participants in specific fields of instruction or technical area a load factor intended to recoup the RSSA cost, which in turn would be disbursed from the master account.

4. The ancillary costs of complementary programs and activities which cannot reasonably be allocated to particular participants or classes of participants and/or which are not properly allocable to all participants will be transferred to central funding. We estimate that the impact of this procedural change will increase AID/W central funding less than \$2 Million.

Approved: _____

Disapproved: _____

Date: _____

Clearance:

SER/IT:CHFleer Date
PPC/PB:CSBiddle Date
SER/FM:TRBlacka Date

SER/FM:PACooper/MYTomkin:cav:5/3/76

ATTACHMENT 10K

General Agreement

Special Development Assistance

I. OBJECTIVE

The purpose of this agreement is to provide a framework for assistance by the United States of America for small development activities in _____ for which primary responsibility is reposed in the Government or people of _____. Such assistance shall be furnished as agreed upon by the Embassy of the United States of America (**Embassy**) and the Government or people of _____, pursuant to the Foreign Assistance Act of 1961, as amended. Such assistance will be directed toward those activities in which self-help by the Government or people of _____ is an important element.

II. METHODS OF IMPLEMENTATION

A. Pursuant to this agreement the Embassy will consider requests for assistance for small development activities proposed by the Government of _____ or requests for such activities which have been proposed by local governments or private organizations within _____.

B. Upon determining that a proposed activity meets the Self-help criteria and warrants U.S. assistance, the Embassy will prepare an **Individual Activity Agreement** which will set forth a brief description of the activity, the commitment of each party, the estimated date for beginning and completing the activity, and name and title of the activity supervisor.

C. Individual Activity Agreements will become effective upon signature by the Embassy and the sponsoring agent.

III. SPECIAL PROVISIONS

A. The Government of _____ will make such arrangements as may be necessary so that funds introduced into _____ by the Embassy or any public or private agency for purposes of carrying out obligations of the U.S. Government hereunder shall be convertible into currency of _____ at the highest rate which, at the time the conversion is made, is not unlawful in _____.

B. The Embassy shall expend funds and carry on operations pursuant to this agreement only in accordance with the applicable laws and regulations of the United States Government.

C. If the Embassy and any public or private organization furnishing commodities through United States Government financing for operations hereunder in _____ is, under the laws, regulations, or administrative procedures of _____, liable for customs duties or import taxes on commodities imported into _____ for the purpose of carrying out an activity under this agreement, the Government of _____ will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

D. The two parties shall have the right at any time to observe operations carried out under this agreement. Either party during the term of an activity under this agreement and until three years after the completion of the activity, shall further have the right (1) to examine any property procured through financing by that party under this agreement, wherever such property is located, and (2) to inspect and audit any records and

accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this agreement, shall assure that the rights of examination, inspection, and audit described in the preceding sentence are reserved to the party which did the financing.

E. Any property furnished to the Government or people of _____ through financing pursuant to this agreement shall, unless otherwise agreed by the United States Government, be devoted to the project until completion of the project, and thereafter shall be used so as to further the objectives sought in carrying out the project. The Government of _____, unless otherwise agreed by the United States Government, shall offer to return to the United States Government, or to reimburse the United States for, any property which it obtains through financing by the United States Government pursuant to this agreement which is not used in accordance with the preceding sentence.

F. The agreement shall enter into force when signed. All or any part of the assistance provided herein may be terminated by either government if that government determines that by changed conditions such assistance is unnecessary or undesirable. The termination of such assistance under this provision may include the termination of deliveries of any commodities hereunder not yet delivered. It is expressly understood that the obligations under paragraph E relating to the use of property shall remain in force after such termination.

For the Cooperating
Government or Agency

For the Government of the
United States of America

_____ Signature
Typed Name
Title
Date

ATTACHMENT 10L

AGREEMENT
between
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
and
UPSTATE AGRICULTURE COUNCIL

Individual Activity Agreement No.: 8685010

Title: Thies Region Vegetable and Rice Development

Authority: Foreign Assistance Act of 1961, as amended, in accordance with The General Agreement on Special Development Assistance between the Government of United States of America and the Government of **Africana** dated **April 2, 1975**, and in accordance with the standard provisions annexed to this Individual Activity Agreement.

Maximum dollar amount of U.S. grant: \$2,018

Terminal date for issuance of implementing documents (no later than one month after date of agreement): November 1, 1977

Delivery period: October 1, 1977 to March 31, 1978

Name and Title of activity supervisor: Mr. Iba Gaye

Description of Activity: Mr. Iba Gaye of the Upstate Agriculture Council has presented a self-help project proposal to the Embassy calling for the development of the Thies Valley in the Province of Upstate, where rice can be grown during the rainy season and vegetables during the dry season. The villagers themselves will do all the manual labor necessary to develop the valleys but need financial assistance to purchase fencing, seed, fertilizers, and insecticides and hire a tractor and bulldozer. A part of the revenue from the first year's crop will be set aside to finance the next year's production costs and in this manner perpetuate the project.

U.S. contribution: The Embassy will finance up to \$2,018 for the purchase of fencing materials, seed, fertilizers, and insecticides.

Thies Valley contribution: The Upstate Agriculture Council will arrange for delivery of all purchases, and the villagers will supply all labor.

For the Upstate
Agriculture Council

For the Government of the
United States of America

	Signature	
A.E. Prestonie Chairman	Typed Name Title Date	John J. Doe Ambassador October 1, 1977

Attachment: Standard Provisions for Special Development Assistance

AID Accounting Data: Appropriation: 72-11*1021.6
Allotment: *26-xx-cty-00-75-*1
Project No.: 685-9917

* Insert appropriate fiscal year applicable to funding source shown in the advice of allotment.

Attachment # ____ to ____
Individual Activity
Agreement Number: ____

**STANDARD PROVISIONS FOR
SPECIAL DEVELOPMENT ASSISTANCE**

A. The Embassy shall expend funds and carry on operations pursuant to this agreement only in accordance with the applicable laws and regulations of the United States Government.

B. The parties shall have the right at any time to observe operations carried out under this agreement. Either party during the term of an activity under this agreement and until three years after the completion of the activity, shall further have the right (1) to examine any property procured through financing by that party under this agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this agreement, shall assure that the rights of examination, inspection, and audit described in the preceding sentence are reserved to the party which did the financing.

C. Any property furnished through financing pursuant to this agreement shall, unless otherwise agreed by the United States Government, be devoted to the project until completion of the project, and thereafter shall be used so as to further the objectives sought in carrying out the project. Unless otherwise agreed by the United States Government, _____ shall offer to return to the United States Government, or to reimburse the United States for, any property which it obtains through financing by the United States Government pursuant to this agreement which is not used in accordance with the preceding sentence.

D. The Individual Activity Agreement shall enter into force when signed. All or part of the assistance provided herein may be terminated by either party by giving the other party 30 days written notice of intention to terminate the agreement. Termination of the agreement shall terminate any obligations of the two parties, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to termination of the IAA. It is expressly understood that all implementing documents, such as purchase orders, requisitions, procurement actions, etc., must be initiated under this obligating Individual Activity Agreement by the agreed upon terminal date, but not later than one month from the effective date of the agreement, otherwise the cancellation provision stated in the preceding sentence will automatically become effective without the necessity of a written advance notice of intent to cancel.

ATTACHMENT 10M

PURCHASE ORDER, RECEIVING REPORT AND VOUCHER

(Electronic version is not available at this time)

ATTACHMENT 10N
SPECIAL SELF-HELP PROJECT
ACTIVITY IMPLEMENTATION RECORD

IAA Number: _____

Activity Title: Thies Regional Vegetable and Rice Development

Date of Obligation: 10/1/77

Date Implementation Documents Must be Completed: 11/1/77

Date	Implementation Document Number	Amount Implemented	Balance To Be Implemented	Remarks
			\$2,018.00	Obligation
10/1/77	8685010-A	532.00	1,486.00	Seed
10/1/77	8685010-B	256.00	1,230.00	Fertilizer
10/1/77	8685010-C	230.00	1,000.00	Insecticides
10/10/77	8685010-D	1,000.00	-0-	Fertilizer
1/6/77	8685010-D	-(17.00)	17.00	Cost Reduction

REMARKS:

(File in Post folder with copy of IAA, all Purchase Orders, etc.)

ATTACHMENT 10-O

(Electronic version is not available at this time)

ATTACHMENT 10 O-2

(Electronic version is not available at this time)

ATTACHMENT 10P

(Electronic version is not available at this time)

ATTACHMENT 10Q

10Q. Non-Project Assistance Commodity Arrival and Disposition System

1. The Mission commodity arrival and disposition system is to provide the ability to trace AID-financed shipments from the agreement stage through borrower/grantee authorization, shipment, arrival in and release from Customs, and acceptance by the importer in detail or summary form. In each cooperating country (**borrower/grantee**) there are one or more common denominators which permit the identification of individual transactions through each step in the system. These denominators which may vary by country. However, in most countries it will be the number assigned to the subauthorization, import license, and/or Letter of Credit at an early stage in the system. Documents pertinent to the system may vary in certain respects by borrower/grantee. However, they generally include 1) Non-project Assistance Agreement; 2) Disbursing Authorization (**Letter of Commitment, Procurement Authorization/Purchasing Requisition (PA/PR), Direct Reimbursement Approval, etc.**); 3) borrower/ grantee subauthorization, import license, or Letter of Credit or equivalent document; 4) advance copies of Bills of Lading (**optional**); 5) AID Non-project Assistance Transaction Detail of Loan and Grant Activity, W-214 Report, and 6) documents representing arrival and release from Customs to importers of individual shipments. Pertinent information obtained from the documents includes, but is not limited to, 1) commodity code, 2) importer name and address, 3) weight shipped-arrived-released, 4) condition of commodity on arrival and release from Customs, 5) vessel, 6) date lifted, 7) port of loading, 8) Bill of Lading number, 9) dollar value of shipment, 10) clearance date, 11) license or Letter of Credit number, and 12) voucher number of AID payment document.

2. An arrival Accounting Ledger is similar to that shown in Appendix 1, may be maintained for each Agreement to supplement the information provided monthly in the W-214 Report. The source of postings of the record are the Non-project Assistance Agreement, issued Disbursing Authorizations, summary reports from the borrower/grantee of the license (**Letter of Credit authorizations and issuances, etc.**) advance copies of Bills of Lading (**optional**) to develop paid shipments intransit data, and borrower/grantee summary reports of losses. The format may be altered at the discretion of USAID.

The need for developing and maintaining summary level statistics on the value of the commodities in transit, in Customs, and released from Customs is left to the USAID's discretion. Such information is not required in AID/W.

3. Records at the individual shipment level will permit tracing each shipment throughout the system and summarizing pertinent data at the Agreement level to permit, among other matters determined desirable, preparation of pipeline analysis. Manual or automated records may be maintained depending upon the borrower/grantee and USAID alignment of responsibilities and equipment availability.

When such records are to be maintained manually, a record similar to that shown in Appendix 2, Commodity Control Subsidiary Ledger, is suggested. The format may be altered at the discretion of USAID.

4. USAID's with computer or word processing capabilities are encouraged to develop an automated system to match In-Transit, Payment, Arrival and Customs Release data for each shipment and to produce at each stage listings of non-matches for subsequent monitoring and follow-up.

APPENDIX 1 TO ATTACHMENT 10Q

Arrival Accounting Ledger

(Electronic version is not available at this time)